



The Civic Federation

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COOK COUNTY MODERNIZATION 100-DAY ACCOUNTABILITY REPORT

March 25, 2011

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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's Cook County Modernization 100-Day Accountability Report continues the work of our Cook County Modernization Project. This report includes detailed information on the status of all 36 recommendations from the Civic Federation's Cook County Modernization Report (published in October 2010), as well as a dashboard rating system for recommendations that were to be implemented within the first 100 days under the leadership of Board President Preckwinkle.

Cook County has made **very significant progress** in implementing the Modernization Report recommendations within the first 100 days of Board President Preckwinkle's administration. The County has adopted an ordinance to fully repeal the sales tax increase of 2008 and has adopted a budget that includes some significant reductions. However, a large number of the layoffs originally proposed have been avoided through furlough days and the County's use of anticipated additional Medicaid revenues. The administration has taken steps to incorporate performance measurement into the budget process and has begun to make operational improvements. Lastly, the administration has made changes to the Judiciary Advisory Council (JAC) and the Criminal Justice Coordinating Council to examine criminal justice inefficiencies and broader policy issues.

However, Cook County government is far from being able to be declared stable. The Civic Federation is **concerned** about actions taken during the FY2011 budget process that infringe on the budgetary independence of the Cook County Health and Hospitals System and we remain worried about the administration's continued opposition to a separate governing structure for the Forest Preserve District in spite of recent evidence that the Commissioners have little time and great difficulty separating their conflicting roles. We are also concerned about future budget shortfalls due in part to a number of non-recurring deficit closing measures in the FY2011 budget. There have been **challenges** in centralizing administrative functions. The administration has taken steps to consolidate back-office functions, but a budget amendment to centralize information technology was not passed by the Board of Commissioners. Of the Civic Federation's Modernization Report recommendations for the first 100 days, three have been implemented, six have had significant progress, two have had limited progress, three are supported but have had no implementation and one is opposed.

Cook County will continue to confront budget shortfalls in coming years and will face a challenge in implementing the FY2011 budget. Therefore the County must continue to focus on the modernization process. The following is a summary of the Modernization Report **recommendations** beyond the first 100 days:

- FY2011 recommendations focus on initiatives that will introduce additional efficiencies, streamline County operations such as information technology and purchasing and formalize policies to guide future financial decisions.
- FY2012 recommendations include reforming the criminal justice system, continuing progress in reform of the Health System and establishing a fund for capital replacement.
- FY2013 recommendations focus on reforming the County's governance structure.
- FY2014 recommendations focus on pension reform and establishing a stable revenue structure for the County.

It is the responsibility of all elected officials, not just the County Board President, to manage an efficient County and address budget shortfalls. Cooperation among several elected officials will become increasingly important as the County moves out of the transition period and begins to implement some of the long-term recommendations.

INTRODUCTION AND FINDINGS

The Civic Federation released the *Cook County Modernization Report: A Roadmap for Cook County Government* in October 2010.¹ The Modernization Report consisted of an in-depth examination of County government and contained a number of recommendations for operational and fiscal improvements. The recommendations included a timeline for action and listed the responsible public officials.

This 100-Day Accountability Report continues the Civic Federation's Cook County Modernization Project. It details the progress Cook County has made in implementing the recommendations from the Modernization Report. A dashboard rating system is used to present the Civic Federation's findings for recommendations that were to be implemented within the first 100 days. This report provides an overview of key events in the County's transition, summarizes key findings from the Modernization Report, provides an update on the County's budget since publication of the original report and provides detailed information on the status of all 36 recommendations.

Project Background

The Civic Federation began the Cook County Modernization Project when there was a unique opportunity to promote reforms. It was released just prior to the election of a new President of the Cook County Board of Commissioners and as the Health and Hospitals System was beginning to implement a new strategic plan. The release also came at a time of considerable public debate regarding the appropriate County sales tax rate. The new Board President, Toni Preckwinkle, took office on December 6, 2010.

The Modernization Report identified the following major problems facing Cook County government: (1) expenditures that were projected to exceed revenues, (2) an outmoded governance structure and (3) inefficient operations. In addition, the Civic Federation used the following principles to guide development of the Modernization Report recommendations: (1) eliminate the entire sales tax increase, (2) properly fund pensions and (3) increase the independence of the Health System. Those findings and principles served as the basis for the development of actionable recommendations to create a more modern and streamlined unit of government.

Evaluation Methodology

The Civic Federation categorized all of the Modernization Report recommendations according to the progress made in their implementation or whether the administration supports their future implementation. The following categories were used to identify the status of the recommendation.

- Implemented – The recommendation has largely been adopted and no further action is needed.
- Significant Progress – The County has completed the majority of what could realistically be accomplished within the given timeframe and is on pace to complete the recommendation.

¹ The report can be accessed at <http://civiced.org/civic-federation/cookcountymodernization>.

- Limited Progress – Aspects of the recommendation have been completed, but more needs to be done in order to ensure successful implementation.
- Supported But No Implementation – The administration has indicated its support for the recommendation but not yet begun implementation.
- Position Not Determined – The administration has not taken a clear position on the issue.
- Opposed – The administration has indicated that it does not support the recommendation.

The Civic Federation also rated the success of the County in implementing the recommendations for the first 100 days using a dashboard rating scale. If the County has begun implementation of the recommendation it receives a green rating. One green bar represents limited progress, two green bars represent significant progress and three green bars represent an implemented recommendation. If the recommendation has been categorized as supported but no implementation then the Federation has given it a neutral yellow rating. If the recommendation is opposed the Federation has given the progress a negative red rating.

To determine the status of the recommendations, the Civic Federation reviewed the Transition Report prepared for Board President Preckwinkle and other County documents, monitored Cook County Board and committee meetings, analyzed the FY2011 budget and requested information directly from Board President Preckwinkle's office and the Health System. Based on these findings, the Civic Federation has made some adjustments to the original recommendations. For example, some of the proposed timelines have been changed and some recommendation descriptions have been slightly adjusted. The numbering from the original Modernization Report has been maintained so some recommendations will not appear in numeric order. The Civic Federation will continue to monitor implementation of these recommendations beyond the first 100 days. Future Cook County budget analyses will provide an update on the status of the recommendations.

Findings

Cook County has made considerable progress in implementing the recommendations within the first 100 days of Board President Preckwinkle's term. The County has adopted an ordinance to fully repeal the sales tax increase of 2008 and has adopted a budget that includes some significant reductions. The administration has taken steps to incorporate performance measurement into the budget process and attempts have been made to centralize some key administrative positions. Limited progress has been made on providing budgetary independence to the Health System and the administration continues to oppose a separate governing structure for the Forest Preserve District. Of the Modernization Report recommendations for the first 100 days, three have been implemented, six have had significant progress, two have had limited progress, three are supported but have no implementation and one is opposed. The cooperation of all elected officials will be critical as the County continues the reform process. The following chart summarizes the dashboard ratings of the first 100-day recommendations.

Recommendation	Rating
1. Roll Back the Sales Tax Increase	
2. Close the FY2011 Budget Deficit	
3. Give Health System Budgetary Flexibility	
4. Appoint a Public Safety Task Force	
5. Delay New Hiring Until January 1, 2011	
6. Upgrade Enterprise Resource Planning System	
7. Centralize Key Administrative Functions	
8. Integrate Performance Measurement into Budgeting	
9. Adopt and Publish Financial Policies	
10. Report Additional Budgetary Data	
13. Enhance Pension Fund Financial Reporting Data	
14. Show Total Expenses in Health System Budget	
15. Report Key Health System Indicators	
22. Fully Exercise Presidential Budgetary Authority*	
28. Separate Forest Preserve District Governance*	
Key	
Implemented	
Significant Progress	
Limited Progress	
Supported But No implementation	
Opposed	
* Implementation timelines have been reassessed, but the numbering from the Modernization Report was maintained. As a result, some recommendation are not in numeric order.	

TRANSITION OVERVIEW

The past several months have been a critical time for Cook County government. Below is a timeline that summarizes some of the significant recent events in Cook County's transition.

Date	Event
October 25, 2010	The Civic Federation releases the <i>Cook County Modernization Report: A Roadmap for Cook County Government</i> .
November 3, 2010	The policy committees convened by Toni Preckwinkle, at the time a candidate for Cook County Board President, issue their report.
December 1, 2010	The 2011 Cook County fiscal year begins.
December 6, 2010	Board President Preckwinkle takes office.
December 7, 2010	The Transition Report prepared for Board President Preckwinkle is released.
December 13, 2010	Board President Preckwinkle issues her first executive order imposing a moratorium on non-essential capital and professional service contracts.
January 3, 2011	The Board of Directors of the Cook County Health and Hospitals System approves the System's preliminary budget for FY2011.*
February 1, 2011	The Executive Budget Recommendation is released.
February 1, 2011	The Cook County Board of Commissioners passes an ordinance concerning performance based management and budgeting.
February 25, 2011	The Cook County Board of Commissioners passes an amendment to fully repeal the 1.0% sales tax increase adopted in 2008. The amendment reduces the County's sales tax to 1.0% beginning in 2012 and to 0.75% in 2013.
February 26, 2011	The Cook County Board of Commissioners approves the FY2011 Annual Appropriation Ordinance.
March 16, 2011	The 100th day of Board President Preckwinkle's first term and release of the Board President's own 100-Day Report Card.

* The Health System's preliminary budget was approved by the County Board on January 26, 2011 for inclusion in the Board President's Executive Budget Recommendation.

SUMMARY OF COOK COUNTY MODERNIZATION REPORT FINDINGS

The purpose of the Civic Federation’s Cook County Modernization Report was to provide Cook County leaders with ideas for reshaping county government in order to improve service delivery to residents and reduce expenses. This section summarizes the Federation’s findings from which evidence-based reforms were proposed.

Cook County Governance

The fundamental impediment to a more efficient and effective Cook County government is its complex governance structure, particularly the excessive fragmentation of executive authority. A total of 29 different officials are elected: the President of the County Board of Commissioners, 11 other elected officials and 17 members of the Board of Commissioners. Seventy-one different departments deliver services. Many County functions, such as the administration of the property tax, are spread among several departments and offices.

There are two consequences of Cook County’s diffuse governmental structure: a lack of efficiency due to duplication of functions and activities; and a lack of accountability by government officials to the general public.² The County’s expenditures on information technology (IT) highlight the inefficiencies that have resulted from this decentralized structure. The Bureau of Technology, which is the central IT department for the County, employs only 19% of the County’s 709 IT personnel.³ The County uses five Enterprise Resource Planning (ERP) systems, 64 websites hosted by 27 different web hosts and 3 different networks. The County spends nearly \$150 million on IT. Spending on IT across the County is 20% above the national average for other state and local governments.⁴

Purchasing has suffered from a lack of centralized coordination as well. The County spends more than \$1 billion annually on purchases from vendors. A consulting firm found that the “lack of coordination among administration and elected officials has created multiple instances of duplication and waste stemming directly from the absence of Countywide coordination in vendor buys.”⁵ The average time to complete a purchase for the County is 4.5 months.⁶ As a general rule, implementing a strategic plan to manage procurement traditionally yields at least 5% in savings.⁷

² Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 13.

³ Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 113.

⁴ Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 114.

⁵ Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 112.

⁶ Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 114.

⁷ Electronic Knowledge Interchange, *Transforming Cook County Government: OPTIMA Phase I*, July 8, 2010, p. 112.

Cook County Health and Hospitals System

One of the nation's largest public health systems, the Cook County Health and Hospitals System (Health System) mainly serves uninsured patients who generally do not pay for their healthcare. Most of the Health System's operating revenues come from the federal Medicaid program. The Health System also receives a substantial subsidy from the County, consisting mainly of property, sales and cigarette taxes.

Historically, the Health System has been regarded as an inefficient operation where day-to-day decision making was hampered by political considerations. Since June 2008 the Health System has been governed by its own Board of Directors, including experts in healthcare and public health and business and labor leaders, rather than by the County Board. However, the County Board retains authority over the Health System's budget and any major operational changes.

Under a five-year strategic plan approved by the County Board in July 2010, the Health System intends to devote more of its resources to outpatient services and less to inpatient care. Inpatient services at the smaller two of its three hospitals will be closed or scaled back, while clinic services will be expanded.⁸ The Health System is also attempting to achieve significant financial benefits from operational reforms in areas such as patient registration, billing and collections; physician productivity; and purchasing.

The Health System's plans are based on retaining patients who become eligible for Medicaid coverage under federal healthcare reform beginning in 2014 and attracting new commercially insured patients. To achieve this goal, the Health System needs to reduce waiting times for clinic appointments and improve the quality of care. Another significant challenge is the movement towards managed care, in which payments to healthcare providers are restricted to provide incentives to keep patients healthy and prevent unnecessary medical expenses. It remains unclear how the Health System's services will be integrated into managed care.

Cook County Budget

Between FY2001 and FY2010, total expenditures for Cook County grew by \$961.4 million or 36.8% while operating expenditures, which include the General Funds and Special Purpose Funds, increased by 32.7% or \$753.1 million. Of the operating funds, the Public Safety Fund and Health Fund together consistently constituted around 70% of County operating expenditures during the same time period.⁹ The largest expenditure for the County by object is personnel services, which was 61.0% or \$2.2 billion of the FY2010 adopted budget.¹⁰

Cook County revenues for all funds increased by 33.3% or \$747.9 million between FY2001 and FY2010. Over this time period, the property tax levy was held constant at \$720.4 million while home rule taxes increased significantly from \$558.5 million to over \$1.0 billion. This 82.3%

⁸ On March 21, 2011, the Illinois Health Facilities and Services Review Board voted to reject a request by the Health System to close Oak Forest Hospital and expand clinic services at the site. Cost savings from closing Oak Forest contributed significantly to the Health System's ability to implement the strategic plan.

⁹ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, pp. 57-59.

¹⁰ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, pp. 60-61.

increase includes a 108.3% increase in combined sales and use tax revenue over the ten-year period. This indicates a trend of moving away from reliance on property tax revenue towards a greater reliance on home rule taxes, principally the sales tax, as the largest funding source. In FY2010 home rule sales and use taxes represent roughly the same percentage of budgeted revenues as do property taxes at 23.3% and 24.1%, respectively.¹¹

Tax Base and Distribution

Between FY2001 and FY2007, the estimated full value and the taxable equalized assessed value of property in Cook County increased by 67.8%. Although the property tax base increased, property tax revenues have not increased as a result of holding the levy flat. Over the same time period the sales tax base increased by 15.3%, but began to decline in FY2008 due in part to the national recession.¹² In recent budgets, the Public Safety Fund and the Health Fund have received the majority of the sales tax revenue; combined they receive over 90% of the receipts. The Public Safety Fund and Bond and Interest Funds each receive over a quarter of the property tax revenues. The Health Fund and the Pension Fund each receive between 15% and 20% of property tax revenues with the election fund receiving between 4% and 8% per year.

Fund Balance

From FY2001 to FY2006, Cook County's General Fund maintained an unreserved fund balance ranging from 17.1% to 22.9% of expenditures. This represented a prudent level of reserves that met the Government Finance Officers Association standard of two months of operating expenditures. From FY2006 to FY2009, the undesignated fund balance fell from \$259.5 million to \$142.5 million, a 45.1% decrease. As a ratio of expenditures it has fallen from 22.9% in FY2001 to 11.2% in FY2009. Although it can be appropriate to utilize fund balance in an economic downturn, the decline in fund balance began prior to the recession and prior to the decline in tax base. Cook County does not have a fund balance as recommended by the GFOA.¹³

Personnel

From FY2001 to FY2010, total full-time equivalent positions have declined by 8.5% from 27,141.2 to 24,834.1 FTEs.¹⁴ The largest number of FTEs is allocated to the Public Safety Fund which declined by 3.5% or 517.5 FTEs over the ten-year period. The Health Fund declined by a significant 25.8% or 2,326.6 FTEs. The Corporate Fund decreased by 34.9% or 953.4 FTEs, which represents a majority of General Funds agencies undergoing steady staff reductions in the ten-year period.¹⁵ In FY2010 the County appropriated nearly \$1.6 billion for salary expenditures.

¹¹ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, pp. 67-65.

¹² Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 68.

¹³ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 70.

¹⁴ In the most recent data available, Cook County's FY2011 Executive Recommendation, two figures were given for FY2010 total full-time equivalent positions. In Q-4 Summary of Positions by Fund (Citizens' Summary, p. 100), the total FTEs for FY2010 is 23,891.8 and in Q-4A Summary of Positions by Control Officer (Citizens' Summary, p. 103), the total FTEs for FY2010 is 24,834.1.

¹⁵ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 74.

Total personal services appropriations amounted to nearly \$2.2 billion, or 71.4% of the total operating budget.¹⁶

Pension Liabilities

The Modernization Report used two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. From FY2000 to FY2009, the actuarial value funded ratio of the Cook County pension fund fell from a high of 94.0% to 63.2% while the market value funded ratio fell from a high of 91.4% to 55.1%. Some changes in actuarial assumptions affected the funded ratios over the ten-year period, including changing actuaries in the FY2004 pension plan, new methods to calculate actuarial liabilities in FY2005 and updating actuarial assumptions in FY2009.¹⁷

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities not covered by the actuarial value of assets. Unfunded liability for Cook County's pension fund totaled \$4.6 billion in FY2009, up from \$363.3 million in FY2000. From FY2008 to FY2009, the unfunded liability increased by \$1.6 billion or 52.4%. The largest contributor to the \$1.9 billion growth in unfunded liabilities between FY2005 and FY2009 was investment returns failing to meet the 7.5% expected rate of return. The second largest contributor was the shortfall in employer contributions as compared to the annual required contribution over the five years.¹⁸

Debt Trends

Since FY2005 short-term liabilities have increased by \$61.2 million or 21.3%. The two largest increases in the County's short-term liabilities were in the accounts payable and notes payable categories: the County borrowed \$147.8 million in short-term notes in FY2008 against future anticipated sales tax revenues and paid \$9.6 million before the end of the fiscal year. The County then had to pay the remaining \$118.3 million in short-term notes from FY2009 revenues. Although short-term liabilities as a percentage of net operating revenues dropped from 21.3% in FY2008 to 16.8% in FY2009, the growing trend over the past five years may be an indicator of increased financial stress.¹⁹

Total long-term debt has increased by \$1.5 billion or 68.9% from FY2001 to FY2010 as new bonds were issued primarily to fund capital projects and in FY2010 to contribute to the County's employee retirement system. Over the same time period, net direct debt per capita increased 71.8% from \$394 per capita to \$678 per capita. Debt service has increased by \$87.9 million or 59.3% from FY2001 to FY2010. As annual debt service continues to rise, the County experiences increased financial pressure and has difficulty paying for other operating expenses.²⁰

¹⁶ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 61.

¹⁷ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 91.

¹⁸ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 95.

¹⁹ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, pp. 105-106.

²⁰ Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, pp. 109-117.

BUDGET UPDATE

This section provides an update on the Cook County budget since the Civic Federation's Modernization Report was published. Included is an overview of the FY2011 budget, challenges the County will face in budget implementation and an analysis of projected future budget shortfalls.

FY2011 Budget

On February 26, 2011, the Cook County Board of Commissioners unanimously approved the FY2011 Annual Appropriation Ordinance. The Civic Federation supported the \$3.0 billion FY2011 Executive Recommendation proposed by Board President Preckwinkle.²¹ The proposed budget reflected a significant effort to reduce expenditures with departmental budgets decreasing by an average of 15%.²² The new County administration also appears to be on a path towards significant reform of governmental operations as recommended by the Civic Federation in the Cook County Modernization report.

The following were the **key findings** on the Cook County FY2011 proposed budget:

- The FY2011 proposed operating budget decreased 1.6% from the FY2010 adopted operating budget appropriation;
- Considerable budgetary reductions in most County agencies that ranged between 14% and 18% were largely offset by significant increases in fixed costs;
- The number of FTE positions funded in FY2011 would decrease by 1,795.1 or by 7.2% from the FY2010 appropriation figures. However, there are discrepancies in the FTE numbers reported by the County²³ and further negotiations between the President's Office, the Board of Commissioners and labor union leaders led to a reduction in layoffs in the final budget;
- Approximately 70.7% of the total proposed FY2011 Cook County budget was for personal services, down slightly from 71.4% in FY2010;
- The property tax levy was held flat at \$720.5 million, where it has been since FY2001; and
- The unreserved fund balance for the General Funds was \$142.5 million in FY2009 or 11.2% of actual expenditures, an increase from \$103.6 million or 8.1% in FY2008.

The Board of Commissioners approved the proposed budget with the following **amendments**:

- The Board passed an amendment to repeal the remaining 0.5% of the 1.0% sales tax increase adopted in 2008. The County's sales tax will drop from the current 1.25% to 1.0% beginning in 2012 and to 0.75% in 2013;

²¹ See Civic Federation's *Cook County FY2011 Proposed Budget: Analysis and Recommendations*, February 16, 2011.

²² Cook County FY2011 Executive Budget Recommendation, Budget Summary, p. 5.

²³ Due to discrepancies in the Cook County FY2011 Executive Recommendation, it was difficult to accurately determine the change in staffing levels between FY2010 and FY2011 for the Civic Federation's budget analysis. Two figures were given for FY2010 total FTEs: in Q-4 Summary of Positions by Fund (p. 100), the total FTE count is 23,891.8 and in Q-4A Summary of Positions by Control Officer (p. 103), the total FTE count is 24,834.1. The correct FTE count was determined to be 24,834.1 by e-mail communication between the Civic Federation and Tariq Malhance, Chief Financial Officer for Cook County, on February 25, 2011.

- Due to negotiations between the President’s Office, Board of Commissioners and union leadership, an agreement was made to reduce by approximately 550 positions from the original recommendation calling for 1,300 layoffs;²⁴
- All non-essential County employees will be required to take ten furlough days before the end of the fiscal year, of which five could be County shut down days;²⁵
- All Cook County Commissioners will receive equal resources in the amount of \$450,000 to maintain their offices; and
- The Cook County Health and Hospitals System will increase revenue estimates by up to \$39.0 million in FY2011 to account for outstanding Medicaid payments that are currently owed by the State of Illinois. The County will accordingly reduce the Health System’s subsidy by up to that amount. Additional layoffs will be avoided using these revenues.²⁶

Budget Implementation

The County will face a challenge in making the expenditure reductions and revenue targets adopted in the FY2011 budget. In prior years, adopted FTE reductions and budgeted increases in fee revenue have not always materialized. The implementation of a large number of layoffs and furlough days in the FY2011 budget will present management with a challenge.

The final number of layoffs will likely differ from what was adopted in the budget and was not available as of the date of this publication. The Health System is already encountering difficulty in achieving its projected cost savings; the Illinois Health Facilities and Services Review Board has voted to reject a request by the Health System to close Oak Forest Hospital and expand clinic services at the site,²⁷ which could impact layoffs. Final layoff numbers will also be impacted by displacement meetings taking place with bargaining units.²⁸

The budget also includes \$32 million in savings from strategic initiatives, which anticipates savings from a procurement overhaul, a desk audit and span of control changes.²⁹ Lastly, the Health System’s FY2011 budget shows a 27.3% increase in patient fee revenues, from a FY2010 preliminary figure of \$252.4 million to \$321.2 million in FY2011. Included in fee revenues are a 33.5% increase in fees from Medicaid and a 74.2% increase from private insurers. These projections appear to be optimistic, particularly in light of the fact that Medicaid fees in FY2010 were 22.0% below budget.³⁰

The County will need to have a sustained focus on the budget in the coming year through continued commitment to operational reforms and structural changes as well as long-range

²⁴ Office of the President, Cook County, “Commissioners pass balanced FY2011 budget, roll back sales tax,” news release, February 26, 2011.

²⁵ Actual layoffs and furlough days may differ from the adopted budget. Some union locals did not approve the agreement. See Hal Dardick, “Cook County unions agree to unpaid days off, avoid 294 layoffs,” *Chicago Tribune*, March 11, 2011.

²⁶ E-mail communication between the Civic Federation and the Office of the Board President, March 17, 2011

²⁷ Jessica Tobacman, “Cook County not sure how to pay for OF Hospital Reprieve,” *SouthtownStar*, March 22, 2011.

²⁸ E-mail communication between the Civic Federation and the Office of the Board President, March 23, 2011.

²⁹ Cook County FY2011 Executive Budget Recommendation, Budget Summary, p. 8.

³⁰ Cook County FY2011 Executive Budget Recommendation, Revenue Estimate, p. 48; Cook County FY2010 Appropriation Bill, Revenue Estimate, p. 59.

financial planning that addresses the County's cost drivers, tax structure and that prioritizes services.

Future Budget Shortfall Projections

The Board President projected a \$487.0 million budget deficit for FY2011 when beginning development of the recommended budget in late 2010. Despite the large agency reductions and many sound deficit closing measures recommended by the Board President and adopted by the Board of Commissioners, the County will likely continue to have budgetary shortfalls in coming years due to the following:

- *Cost drivers:* The County has significant costs that continue to increase unabated. One of the major cost drivers is fixed charges, which are shared costs borne by the County as a whole. Fixed Charges (excluding the Health and Hospitals System) are anticipated to increase 60.3% or \$168.4 million from FY2010 to FY2011. The majority of the fixed charges expenses relate to personnel, such as health insurance and workers compensation.
- *Repeal of the remaining portion of the sales tax:* The Civic Federation believes that as Chicago's sales tax rate is one of the highest composite rates in the nation, the County's sales tax increase needed to be fully repealed. The repeal, which has been passed by the Board, will have a large budgetary impact that will require further expenditure reductions or alternative revenue sources.
- *Non-recurring deficit closing measures:* Some of the County's deficit-closing measures are not permanent solutions as detailed in the following deficit closing discussion.
- *Pension funds:* The County has a declining pension fund ratio that will require increased funding and/or a reduction in non-vested benefits. This will put additional pressure on the rest of the budget as the pension fund requires increased resources.

The County began the budget process with a projected \$487 million budget deficit. The proposed budget included \$160 million in non-recurring deficit closing measures and budget amendments added another \$74 million of non-recurring measures. Nearly half of the adopted budget deficit closing measures are non-recurring measures. The County notes that although these measures are not permanent budgetary solutions, some of them are more than just one-time solutions and have the potential to be available again for upcoming budgets.³¹

Cook County FY2011 Budget Deficit (in \$ millions)			
Deficit Closing Measure	Proposed Budget	Adopted Budget	Non - Recurring
Agency Spending Reductions	\$ 195	\$ 120	\$ -
Financial Management Restructuring	\$ 136	\$ 136	\$ 136
Revenue Initiatives	\$ 84	\$ 84	\$ 24
Special Revenue Fund Reimbursements	\$ 41	\$ 41	\$ -
Strategic Initiatives	\$ 32	\$ 32	\$ -
Medicaid Revenues	\$ -	\$ 39	\$ 39
Furlough Days	\$ -	\$ 35	\$ 35
Total	\$ 487	\$ 487	\$ 234

Note: Totals may not add due to rounding.

Source: Civic Federation analysis of budget briefing document "Committee on Finance Budget Hearing Fiscal Year 2011, February 4, 2011" provided by Tariq Malhance, Chief Financial Officer; Floor Amendment 31-S to the Cook County FY2011 Tentative Appropriation Ordinance; E-mail communication between the Civic Federation and Tariq Malhance, Chief Financial Officer for Cook County, March 2, 2011; e-mail communication between the Civic Federation and the Office of the Board President, March 17, 2011.

Below are details of the non-recurring budget deficit closing measures included in the adopted budget:

- **Financial Management:** The County expects to receive \$85 to \$90 million from debt restructuring and \$45 million from a line of credit. The \$45 million is to fund a one-time cost for a large settlement related to the jails.³² The bond restructuring is expected to generate revenue for three fiscal years, but will result in higher future debt service payments.
- **Revenue Initiatives:** Included in the revenue initiatives is \$23.7 million in TIF surplus declared by the City of Chicago. TIF surplus funds have been categorized as non-recurring revenue because there is no guarantee the City will declare a TIF surplus in future years.
- **Furlough Days:** To reduce the number of layoffs, the adopted budget as passed by the Board of Commissioners includes 10 unpaid furlough days for non-essential County employees that are equivalent to \$35 million in savings.³³ Although some governments, such as the City of Chicago, have continued to use furlough days for multiple years furlough days do not constitute a permanent structural solution.

³¹ Phone communication between the Civic Federation and Tariq Malhance, Chief Financial Officer for Cook County, March 23, 2011.

³² Cook County FY2011 Budget Summary, p. 19.

³³ Actual layoffs and furlough days may differ from the adopted budget. Some union locals did not approve the agreement. See Hal Dardick, "Cook County unions agree to unpaid days off, avoid 294 layoffs," *Chicago Tribune*, March 11, 2011.

- Medicaid Revenues:** A budget amendment added approximately \$40 million in Medicaid revenue.³⁴ See Recommendation 3 for more details on these revenues. The Health System subsidy would be reduced by up to \$39 million of the revenue received. Essentially the Medicaid revenues would serve as a revenue source for general operations. The \$39 million will be used to further reduce the number of layoffs in addition to what was attained through furlough days.³⁵ The County notes that there is an ongoing dialogue with the State that could result in additional Medicaid revenue in future budget years.³⁶

Cook County’s budget projections illustrate its fiscal challenges. County projections of revenues and expenses indicate that in FY2012 it will face a \$214 million budget gap. This shortfall is much smaller than in FY2011 because the County has begun to make some structural changes, but is still a very sizable gap. By FY2014 the budget shortfall is projected to reach \$610 million.

Projected General Funds Revenues and Expenses					
(in \$ millions)					
	FY2011	FY2012	FY2013	FY2013	FY2014
Revenues	\$ 2,285	\$ 2,125	\$ 2,026	\$ 2,026	\$ 1,840
Expenses	\$ 2,285	\$ 2,339	\$ 2,394	\$ 2,394	\$ 2,450
Budget Gap	\$ -	\$ (214)	\$ (368)	\$ (368)	\$ (610)

Source: Cook County FY2011 Executive Budget Recommendation, Citizens’ Summary, p. 73.

Continued reforms, such as those outlined in this report, will be needed over the next four years to address the coming budget shortfalls.

³⁴ Cook County, “President, Commissioners pass FY2011 Budget,” news release, February 26, 2011.

³⁵ E-mail communication between the Civic Federation and the Office of the Board President, March 17, 2011.

³⁶ Phone communication between the Civic Federation and Tariq Malhance, Chief Financial Officer for Cook County, March 23, 2011.

RECOMMENDATIONS FOR MODERNIZING COOK COUNTY GOVERNMENT

The Civic Federation's Cook County Modernization Report recommendations were based on an analysis of the County's challenges, the Civic Federation's principles for County government and a detailed trend analysis of financial data. The report included short-term and long-term recommendations for reinventing and modernizing Cook County government.

This section presents an analysis of each recommendation from the Cook County Modernization Report.³⁷ Included is a summary of the original recommendation, any related initiatives from the Transition Report prepared for Board President Preckwinkle, an update on implementation and the current status. The status of the recommendations is categorized according to the progress made in their implementation or whether the administration supports their future implementation. The recommendations have been separated into the appropriate timeline for implementation. Some of the proposed timelines and some recommendation descriptions have been modified from the Modernization Report based on additional information. As a result, some of the recommendations appear out of numerical sequence.

It is the responsibility of all elected officials, not just the County Board President, to manage an efficient County and address the budget shortfalls. Thus, each recommendation lists the responsible County officials. Cooperation among several elected officials will become increasingly important as the County moves out of the transition period and begins to implement some of the long-term recommendations.

Recommendations for the First 100 Days

The following are the Civic Federation recommendations that were targeted for implementation within the first 100 days of the new Board President taking office. These recommendations focus on stabilizing the County's finances and address the need to reorganize the current executive office while laying the groundwork for larger reforms that are necessary to modernize County government.

1. Roll Back the Remaining Half Percentage Point Sales Tax Increase

Civic Federation Modernization Report Recommendation:

The Federation recommended that Cook County return its home rule sales tax rate to 0.75% and that the incoming Board President propose an ordinance to that effect within the first 100 days of taking office. The 2008 sales tax increase has been problematic for a number of reasons, including not being tied to a financial plan for use of the revenues and possibly hurting retail sales. Furthermore, the sales tax is a regressive tax that impacts low-income individuals more than higher income individuals. The sales tax increase allowed elected officials to delay addressing the underlying cost drivers that made a reemergence of the deficit inevitable.

³⁷ See Appendix A for a summary of the status of all of the recommendations.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 2 of the Transition Report is to repeal the sales tax increase by FY2013 (p. 7).³⁸ The report cites the lack of a plan for the tax increase and that it enabled a continuation of inefficient County operations. It also notes the regressive nature of the tax and its burden on economic development and commerce. The report states that the home rule sales tax will be decreased in two 0.25% increments: the first in FY2012 and the remainder in FY2013.

Update:

At the February 25, 2011 Cook County Board Meeting, an ordinance amendment proposed by Board President Preckwinkle was passed (12 to 5) by the Cook County Board of Commissioners to lower the County's home rule sales tax to 1.0% beginning in January 2012 and to 0.75% beginning in January 2013. This follows a partial roll back from 1.75% to 1.25% in July 2010. The amendment constitutes the full repeal of the one cent increase in the sales tax passed in 2008 and will reduce the composite sales tax rate in Chicago from 9.75% to 9.25%.

The rollback will not be implemented as quickly as the Civic Federation originally called for in the Cook County Modernization Report. However, the Federation supports the adopted rollback plan because it has been paired with plans for a variety of operational and fiscal reforms.

Status:

Implemented

- Responsible Official(s): Board President and Board of Commissioners
- Overlapping Official(s): Not Applicable

2. Close the FY2011 Budget Deficit

Civic Federation Modernization Report Recommendation:

The County must focus on reducing expenditures in FY2011 in order to close its budget gap. The FY2010 Appropriation Bill projected the FY2011 General Funds deficit at \$285.9 million,³⁹ but the revised deficit figures were significantly higher. The Modernization Report analyzed budgetary options including a reduction in full-time equivalent positions, a salary freeze, furlough days and some targeted reductions. Across-the-board cuts were reluctantly supported by the Civic Federation as necessary to immediately address the FY2011 budget shortfall. In the future, a better approach would be to utilize financial planning and performance evaluation to phase in targeted spending adjustments. Passage of the budget is only the first step in closing the budget shortfall; the budget must also be implemented, which will require the cooperation of all elected officials and departments.

³⁸ Page numbers refer to the Cook County Board President-Elect Transition Team, *Cook County Transition Report*, December 7, 2011.

³⁹ Cook County FY2010 Appropriation Bill, Citizens' Summary, p.36. The appropriation bill based its expenditure projection on an annual growth rate of 2.55% for all expenses including personnel.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report included a revised budget gap number of \$487 million due mainly to a decrease in tax revenue (primarily due to the partial sales tax rollback) and increasing personnel costs (p. 6). It recognized that all elected officials would need to reduce their budgets by over 16% on an annualized basis.

Update:

On February 26, 2011 the Board of Commissioners approved the FY2011 budget. The budget included significant reductions to County agencies and the Health System subsidy.⁴⁰ To close a \$487 million projected budget deficit, the Board President proposed a budget that included \$195 million in agency spending reductions including layoffs, \$136 million from financial initiatives consisting of debt restructuring and a line of credit, \$84 million in revenue initiatives, \$41 million in special fund indirect overhead and \$32 million from strategic initiatives.⁴¹ The debt restructuring and line of credit under financial initiatives (\$136 million) and surplus TIF receipts (\$23.7 million) are non-recurring.⁴²

To reduce the number of layoffs from 1,300 to 750, the adopted budget as passed by the Board of Commissioners includes 10 unpaid furlough days for non-essential County employees that are equivalent to \$35 million in savings. Furlough days do not constitute a permanent structural change. The adopted budget also included approximately \$40 million in additional Medicaid revenue.⁴³ It was budgeted in a manner that is of concern because the Health System subsidy provided by general County funds would be reduced by up to \$39 million of the revenue received; essentially the Medicaid revenues would serve as a one-time revenue source for general County operations. Recommendation 3 below provides additional details on these revenues. The \$39 million will be used to reduce the number of layoffs in addition to those preserved through furlough days.⁴⁴ The Civic Federation estimates that nearly 50% of the deficit closing measures are non-recurring. In addition, the budget contains some measures that will be difficult to implement as well as aggressive projections for Health System fee revenue. Therefore, although the budget makes significant progress towards closing the deficit, it cannot yet be considered fully implemented.

Status:

Significant Progress

- Responsible Official(s): Board President
- Overlapping Official(s): Elected Officials, Board of Commissioners

⁴⁰ On March 21, 2011, the Illinois Health Facilities and Services Review Board voted to reject a request by the Health System to close Oak Forest Hospital and expand clinic services at the site. Cost savings from closing Oak Forest contributed significantly to the Health System's FY2011 budget.

⁴¹ Cook County FY2011 Executive Budget Recommendation, Budget Summary, p.4.

⁴² E-mail communication between the Civic Federation and Tariq Malhance, Chief Financial Officer for Cook County, March 2, 2011.

⁴³ Cook County, "President, Commissioners pass FY2011 Budget," news release, February 26, 2011.

⁴⁴ E-mail communication between the Civic Federation and the Office of the Board President, March 17, 2011.

3. Give the Health System Budgetary Flexibility

Civic Federation Modernization Report Recommendation:

While requiring the Health System to reduce its subsidy from Cook County, the County should also give the System flexibility to manage its own finances. This recommendation is consistent with the County Board's approval in July 2010 of the System's five-year strategic and financial plan. To carry out the plan, the Civic Federation recommended that the County Board, which must approve the Health System's overall budget, focus on the subsidy and not exert line-item control over the System's budget. The Civic Federation recommended that the Health System be permitted to retain any excess revenues and be required to offset any shortfalls.

Transition Report Prepared for Board President Preckwinkle Initiative:

This issue was not addressed in the Transition Report.

Update:

In line with the Civic Federation's recommendation, the Health System's budgetary reduction proposed by Board President Preckwinkle in FY2011 was based on its subsidy rather than its appropriations.⁴⁵ The FY2011 subsidy was set at \$316.1 million, a decline of \$73.0 million or 18.8%, from the budgeted FY2010 subsidy of \$389.1 million.⁴⁶ Health Fund appropriations declined by 6.3% from \$973.9 million budgeted in FY2010 to \$912.8 million in FY2011.⁴⁷

However, other budgetary actions restricted the Health System's ability to run its own day-to-day operations. The Board of Commissioners approved a budget amendment that reduced the Health System's subsidy by up to \$39 million.⁴⁸ This amount is based on the estimated value of applications for Medicaid enrollment that are waiting to be processed by the State of Illinois. Under an agreement with the State, the Health System will fund state workers to process the backlog of Medicaid applications.⁴⁹ According to the Civic Federation's recommendation, the Health System should have received the Medicaid revenues from the State, less excess subsidy required in FY2010. Because of lower than expected revenues, the Health System's estimated subsidy for FY2010 was roughly \$411.5 million, or \$22.4 million above the budgeted amount of \$389.1 million.

⁴⁵ Budget figures are based on Cook County FY2011 Executive Budget Recommendation and are not updated for final actions taken on February 26, 2011. Numbers are for the Health Fund, a component of the General Funds, which accounts for 99.0% of the Health System's total budget. The budget also includes two Special Purpose Funds: the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District. Pension expenses are not included because the County does not allocate pension expenses by fund.

⁴⁶ Email communication between the Civic Federation and the Cook County Department of Budget and Management Services, March 17, 2011.

⁴⁷ Cook County FY2011 Executive Budget Recommendation, p. D-1.

⁴⁸ Floor Amendment 17 to the Cook County FY2011 Tentative Appropriation Ordinance.

⁴⁹ Cook County Health and Hospitals System, Minutes of the Finance Committee, February 18, 2011, p. 4. The cost in FY2011 is estimated at \$1 million to \$1.5 million, of which roughly 50% will be reimbursed by the federal government. The \$39 million revenue figure is net of this cost.

The Health System, like other departments, is affected by the County Board's decision to use savings from furlough days to reduce the number of required layoffs,⁵⁰ which does not provide a permanent solution to structural budget shortfalls. Requiring furloughs at the Health System also impedes the System's ability to manage its own operations.

Similarly, the County Board got involved in budget line items at the Health System when it reduced the salaries associated with two positions at the Ambulatory and Community Health Network—social service unit coordinator and outreach coordinator—in order to add an administrative assistant in the Public Defender's Office.⁵¹

Status:

Limited Progress

- Responsible Official(s): Board President, Board of Commissioners
- Overlapping Official(s): Not Applicable

4. Appoint a Public Safety Task Force

Civic Federation Modernization Report Recommendation:

Public Safety in Cook County encompasses a variety of functions including operation of the second largest judicial system in the nation, two detention centers, the Cook County jail and the Temporary Juvenile Detention Center. Public Safety is the largest area of Cook County expenditures. Addressing Cook County's financial challenges will require a close examination of public safety expenditures. There are undoubtedly opportunities to address waste and inefficiency in the criminal justice system. However, some of the greatest areas for cost savings involve larger public policy questions such as how to address non-violent and mentally ill offenders, the proper adjudication process including the possible role for recognizance bonds and electronic monitoring, diversion programs and juvenile detention alternatives. The time has come to start addressing public safety's operational, financial and policy issues. A first step in this process should be the creation of a Cook County Public Safety task force.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 10 of the Transition Report "improve efficiency of the criminal justice system," states that the Board President will announce a committee representing various communities and criminal justice functions (p. 12). The committee is to review current inefficiencies and recommend ways to manage criminal justice more effectively, such as diversion and alternative sentencing strategies.

Update:

Board President Preckwinkle has made repeated public statements in support of reforming the criminal justice system. For example, she said that she intends to expand alternatives to

⁵⁰ Floor Amendment 31-S to the Cook County FY2011 Tentative Appropriation Ordinance.

⁵¹ Floor Amendment 13 to the Cook County FY2011 Tentative Appropriation Ordinance.

incarceration by investing in programs and working with other County elected officials, which could result in significant cost savings.⁵²

The Judiciary Advisory Council (JAC) is now reporting directly to the President's Office, instead of the Bureau of Administration and has been redirected to better focus on its mission. The administration also states that they have reinvigorated the Cook County Criminal Justice Coordinating Council to function as a public safety task force. Although the Coordinating Council has met regularly since 1989, it has not played a role in addressing larger criminal justice policy questions. The Coordinating Council will now oversee several working groups to study inefficiencies in the specific areas and make recommendations for improved operations. It will report findings to JAC and the Board President.⁵³

Status:

Implemented

- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners, Chief Judge of the Circuit Court, the Clerk of the Circuit Court, the Sheriff, Public Defender and State's Attorney

5. Delay New Hiring Until January 1, 2011

Civic Federation Modernization Report Recommendation:

The Civic Federation urged the Board President and other newly elected County officials who took office on December 6, 2010 to delay as much non-essential new hiring as possible until January 1, 2011. This delay would help to reduce long-term liabilities of the Cook County pension fund because employees hired on or after January 1, 2011 would become eligible for the new tier of reduced pension benefits created by Public Act 96-0889. This recommendation applies to the positions that are Shakman exempt.

The major changes in the new benefit tier for the Cook County pension fund are 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 4 year average to the highest 8 year average; the \$106,800 cap on pensionable salary; and the reduction of the automatic annual annuity increase from 3% compounded to the lesser of 3% or one half of the increase in Consumer Price Index not compounded.⁵⁴

⁵² Speech to the Civic Federation Board of Directors by Toni Preckwinkle, Cook County Board President, January 13, 2011.

⁵³ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

⁵⁴ For more information on Public Act 96-0889 and other pension benefit changes see Civic Federation, *Cook County FY2011 Proposed Budget: Analysis and Recommendations*, February 16, 2011, pp. 44-45 and Civic Federation, *Status of Local Pension Funding FY2009: An Evaluation of Ten Local Government Employee Pension Funds in Cook County*, February 10, 2011, pp. 6-7.

The Cook County pension fund was 63.2% funded in FY2009, down from 94.0% in FY2000.⁵⁵ In FY2009 it had \$4.6 billion in unfunded liabilities, or \$876 per resident of Cook County. Delaying hiring of non-essential new staff until after January 1, 2011 would place more employees in the tier of reduced benefits and make their pension promises more affordable in the long-term.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report recognized the long-term value of delaying new hires and Initiative 12 stated that the Board President would defer appointing non-critical senior staff until January 2011 (p. 13). It identified some critical senior staff areas as being budget/finance, IT, administration and policy.

Update:

The president's office reports that between December 6, 2010 and December 31, 2010 a total of 32 exempt positions were vacated and the President only filled 17 positions. The hires included 11 positions in the Executive Office of the President and the Chief Information Officer, the Chief Administration Officer and a Financial Research Analyst.⁵⁶ The administration's report card notes that the Transition Report Initiative 12 has been completed with the majority of hires delayed.⁵⁷

Status:

Implemented

- Responsible Official(s): Board President
- Overlapping Official(s): Elected Officials

6. Upgrade Existing Enterprise Resource Planning System

Civic Federation Modernization Report Recommendation:

The County should resolve the issue of whether to upgrade its existing Enterprise Resource Planning (ERP) system or purchase a new ERP system.⁵⁸ The Civic Federation noted that the Health System had acquired a Lawson system, while the County used an outmoded, unsupported version of a JD Edwards system.

⁵⁵ Civic Federation, *Cook County FY2011 Proposed Budget: Analysis and Recommendations*, February 16, 2011, pp. 47-50.

⁵⁶ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

⁵⁷ Cook County, *100 Day Report Card*, March 16, 2011.

⁵⁸ An Enterprise Resource Planning system integrates all departments and functions across an organization into a single system that can serve all those different departments' particular needs, including financial analysis, human resources and purchasing.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 6 of the Transition Report (p. 10) includes reevaluating the ERP system as part of a broader plan to share services across county agencies for both back- and front-office functions.

Update:

In February 2011 the County issued a Request for Information in order to gather information about ERP systems from software firms and system integrators.⁵⁹ The information will be used to develop a Request for Proposal, which is expected to be issued in the third or fourth quarter of FY2011. Instead of attempting to retrofit either the JD Edwards or Lawson systems, the County plans to seek the system best suited to its requirements and current system status. The ERP project is expected to begin in the first quarter of FY2012.

Status:

Significant Progress

- Responsible Official(s): Board President, Chief Information Officer
- Overlapping Official(s): Other Elected Officials

7. Centralize Key Administrative Functions

Civic Federation Modernization Report Recommendation:

The Cook County administrative structure is antiquated and not well suited to the demands of a large, modern urban government. The Civic Federation proposes that the administrative structure be reformed to centralize key administrative functions that are currently located throughout the County government.⁶⁰ A Chief Administrative Officer (CAO) would be appointed by and report to the Board President and be invested with duties and responsibilities for countywide administration. The CAO would supervise all departments and offices of the Executive Branch and advise the Board President on administrative matters. Qualified professionals with experience in relevant fields would be selected by the CAO to head key County administrative departments such as the Bureau of Technology, Bureau of Human Resources, Department of Procurement and the Bureau of Finance.

Each of these executive departments would provide their designated service to all County departments and offices. The elected officials' offices would no longer maintain their own separate information technology, human resource, capital planning and/or financial staff. However, the offices of the elected officials would be provided with liaison employees from each chief officer. The liaison employees would report to the office of the bureau or department head, while working with the elected official to ensure clear communication of policies, priorities and needs. The Health System by ordinance controls its own day-to-day decision making and the Civic Federation supports its independence. Therefore, it would not be included

⁵⁹ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

⁶⁰ This method of organization is commonly employed in municipal and county governments in the United States. See the governance structure of Maryland counties, for example.

under this new administrative structure. However, the System should participate in countywide administrative activities when there are opportunities to achieve efficiencies.

Transition Report Prepared for Board President Preckwinkle Initiative:

Transition Initiative 6, “share services across County agencies, for both back-office and front-office functions,” embraces many of the concepts of the Civic Federation proposal (p. 10). The report cites redundant back office functions that waste taxpayer dollars and suggests centralizing certain administrative functions.

Update:

FY2011 Budget Amendment 25 proposed to realign IT departments and place them under the responsibility of the Cook County CIO. The amendment was not passed by the Board with many commissioners pointing to concerns expressed by the State’s Attorney, but most commissioners expressed support. A separate amendment would have centralized human resources, but was withdrawn by the sponsor. The support of countywide elected officials outside of the President’s office is critical for successful implementation of this initiative.

The administration reports that they have begun a number of efforts to consolidate back-office functions including the following:

- The CIO is working with the CIO roundtable to develop a plan to centralize IT functions.
- The Bureau of Technology reorganization includes a new shared services unit that will analyze opportunities for IT consolidation and shared services.
- The Bureau of Administration is leading monthly shared services committee meetings with representatives of each elected official to look at ways to centralize functions.
- The Purchasing Department is combining like requests across agencies.
- All custodial and building management staff will be centralized under the Department of Facilities Management.⁶¹

The administration has also started a shared services committee with all County agencies.⁶²

Status:

Limited Progress

- Responsible Official(s): Board President, Board of Commissioners
- Overlapping Official(s): Elected Officials

8. Integrate Performance Measurement into Budgeting Process and Make the Information Public

Civic Federation Modernization Report Recommendation:

Cook County should collect key performance measurement data and consistently report the data in the budget document. Collecting the data would provide management and policy-makers with

⁶¹ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

⁶² Cook County, *100 Day Report Card*, March 16, 2011 p. 9.

objective information to improve operations, reduce unnecessary or inefficient expenditures and prioritize spending. Reporting the data enhances transparency and accountability to the public.

The County should make full implementation of performance-based budgeting a priority. The process should include reports of actual and estimated performance measurement data for at least three prior years, as well as performance targets or estimates for the upcoming budget years. Narrative descriptions of performance measures and results should accompany this data. The data should be a mix of qualitative and quantitative input, output, efficiency and outcome data. Performance measures should relate to departmental goals and objectives: goals should focus on broad direction and purpose while objectives should be specific and measurable. Finally, the County should internally develop data definitions and control procedures to ensure the validity and reliability of the data that is reported.

Transition Report Prepared for Board President Preckwinkle Initiative:

Transition Report Initiative 4 is to establish a new performance management culture (p. 8). It explains that the Board President Preckwinkle will appoint a new position of Chief Performance Officer and hold regular sessions to identify and resolve issues inhibiting productivity. The FY2012 budget is to include performance indicators. The Transition Report Initiative 3 also addresses performance measurement; it states that expenditures will be tied to service levels and public budget documents will report key performance indicators.

Update:

Board President Preckwinkle proposed ordinance 11-0-17, which was passed by the Board in February, to link performance management to the budget process. It will require each department to prepare a quarterly report that establishes measurable goals for the services provided and show the relationship to resources. Performance metrics were also reportedly an integral part of reaching an agreement with employee unions that implemented furlough days to reduce the number of layoffs.⁶³ The County is also receiving pro bono support from the Civic Consulting Alliance and the Boston Consulting Group in support of performance management.⁶⁴

Status:

Significant Progress

- Responsible Official(s): Board President, Elected Officials
- Overlapping Official(s): Not Applicable

9. Adopt and Publish Financial Policies

Civic Federation Modernization Report Recommendation:

Cook County should develop and publish the financial policies recommended by the Government Finance Officers Association (GFOA) and the National Advisory Council on State

⁶³ Cook County, "President, Commissioners pass FY2011 Budget," news release, February 26, 2011.

⁶⁴ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

and Local Budgeting. It is important to adopt financial polices to help guide the budget process, frame major policy initiatives and provide a benchmark for future financial performance. Especially critical is the adoption of a fund balance policy that establishes the level of unrestricted fund balance that should be maintained in the General Fund.⁶⁵ An adequate fund balance is essential for fiscal stability to protect against revenue and expenditure fluctuation. Other recommended policies include debt management, revenue diversification, fees and charges and use of one-time revenues.⁶⁶ The County should include a summary of the policies in a designated section of the budget.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report does not address financial policies.

Update:

The Civic Federation has verified that the policies have not been adopted internally. The Comptroller and Chief Financial Officer share the goal to adopt policies in the future that are consistent with recommendations from GFOA.⁶⁷

Status:

Supported But No Implementation

- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners

10. Report Additional Appropriations and Resources Data in Annual Budgets

Civic Federation Modernization Report Recommendation:

Cook County should provide additional appropriation and resource data in its annual budget documents. Appropriation data should include:

- Aggregate historical actual data by object classification and by fund;
- Breakdown of historical, countywide personnel costs, including salaries, pensions and healthcare data; and
- Explanation of all significant expenditure changes within the budget document. Each departmental summary should include a description of each significant change over 10%.

The amount of resources data provided in the budget book should also be enhanced by including:

- The prior year estimate and one year of actual information for all data points;

⁶⁵ Government Finance Officers Association Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

⁶⁶ Government Finance Officers Association, Adoption of Financial Policies (2001).

⁶⁷ E-mail communication between the Civic Federation and Tariq Malhance, Chief Financial Officer for Cook County, March 2, 2011.

- Historical data for all resources, including the amount of fund balance utilized each year and capital improvements made each year; and
- Aggregate historical revenue by fund accounting.

Transition Report Prepared for Board President Preckwinkle Initiative:

Transition Report Initiative 23 to “make budget information publicly accessible and budget decisions more transparent,” acknowledges that the County does not make budget information easily accessible to the public (p. 19). It states that going forward the County will make more useful financial information available to the public sooner.

Update:

The FY2011 Executive Budget Recommendation included some new budget data, but not those specifically recommended in the Modernization Report. The County also published a new budget summary document, which included a much more accessible summary of the budget. However, published documents did a poor job of explaining the use of \$40 million in additional Medicaid revenues that were budgeted for general operations in the adopted budget. The administration has increased transparency with respect to fiscal issues outside of the budget related documents. As part of their 100 Day Report Card the administration released the desk audit executive summary prepared by McGladrey, an overtime and FMLA spending review and an analysis of ending the tax subsidy to unincorporated Cook County.

The administration reports that Transition Report Initiative 23 “make budget information publicly accessible and budget decisions more transparent,” has been completed.⁶⁸ The Civic Federation believes that although the County has made significant progress in this area, more work needs to be done.

Status:

Significant Progress

- Responsible Official(s): Board President
- Overlapping Official(s): Not applicable

13. Enhance Pension Fund Financial Reporting Data

Civic Federation Modernization Report Recommendation:

The Civic Federation recommends that all pension funds be required to describe any benefit enhancements granted in a given year in their annual financial reports and to calculate the effect of those enhancements on the fund’s total liabilities. Taxpayers deserve to know the cost of benefit enhancements.

⁶⁸ Cook County, *100 Day Report Card*, March 16, 2011, p. 14.

In addition to reporting the effects of any pension benefit changes on total liabilities, Cook County should also report basic 30-year projections of funded ratios, unfunded liabilities, required contributions and the date of insolvency and provide more statistical analysis in its pension fund financial statements. These projections are particularly important given the declining health of the Cook County pension fund, which fell from 94.0% funded in FY2000 to only 63.2% funded in FY2009.⁶⁹

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 23 of the Transition Report prepared for Board President Preckwinkle stated that “Going forward, the County will make more useful financial information available to the public sooner, including transparently reporting on impact of benefit enhancements on pension funds and hidden expenses of County departments such as liability costs or Hospital System bond and interest expenses” (p. 19). However, the Transition Report did not indicate when or in what document the reporting on pension benefit enhancements would be made available. It also did not discuss reporting basic 30-year projections of funded ratios, unfunded liabilities, required contributions and date of insolvency or providing more statistical analysis in its pension fund financial statements.

Update:

No action has been reported. However, Board President Preckwinkle created a Pension Sub-Committee of the Cook County Finance Committee at her first Board of Commissioners meeting on December 14, 2010.⁷⁰ The Pension Sub-Committee is chaired by Commissioner Bridget Gainer and held its first meeting on January 19, 2011. The committee is expected to address pension reform but has not yet begun public discussions of reforming the Cook County pension fund.⁷¹ The Civic Federation believes that the Sub-Committee will require data such as that recommended in the Civic Federation’s Modernization Report in order to undertake substantive discussion of pension reform. The administration’s 100-Day Report Card listed Initiative 23 as complete, but no additional pension fund data has yet been released.⁷²

Status:

Supported But No Implementation

- Responsible Official(s): Board President
- Overlapping Official(s): Pension Fund Executive Director

⁶⁹ Civic Federation, *Cook County FY2011 Proposed Budget: Analysis and Recommendations*, February 16, 2011, pp. 47-50.

⁷⁰ Cook County Ordinance 11-O-04, https://agenda.cookctyclerk.com/Upload/Ordinance_pdf_121410_70.pdf (last visited on March 9, 2011); and Cook County Resolution 11-R-21, https://agenda.cookctyclerk.com/Upload/Resolution_pdf_121410_70.pdf (last visited on March 9, 2011).

⁷¹ Pension Sub-Committee calendar is available at <http://legacy.cookcounty.gov/secretary/committees/Finance/Pension/Pension.html> (last visited on March 9, 2011).

⁷² Cook County, *100 Day Report Card*, March 16, 2011, p. 14.

14. Include All Operating Expenses of the Health System in the System's Budget

Civic Federation Modernization Report Recommendation:

To provide a clear picture of the cost of operating the Health System, the County should report all operating expenses of the Health System in the System's budget, including employee health insurance, medical malpractice claims, employee pension contributions and debt service costs.

Transition Report Prepared for Board President Preckwinkle Initiative:

This issue was not addressed in the Transition Report.

Update:

The FY2011 budget was the first time that employee insurance costs and reserves for insurance claims were included in the budget with other Health System appropriations. These expenses are budgeted at approximately \$121.6 million FY2011.⁷³ The County has not allocated pension expenses and debt service costs.

Status:

Significant Progress

- Responsible Officials: Board President, Chief Financial Officer
- Overlapping Official(s): Health System Officials

15. Report Key Indicators of Health System Performance on System Website

Civic Federation Modernization Report Recommendation:

The Health System should post on its website key indicators of its financial performance and quality of care relative to other hospitals so the public can track the System's progress. Information is currently available on other websites but not always in a readily accessible format. The Health System should also facilitate public monitoring of the efforts of PricewaterhouseCoopers, which was hired to carry out major expense reductions and revenue enhancements and could receive fees of up to \$50 million, depending on improvements achieved for the System.

Transition Report Prepared for Board President Preckwinkle Initiative:

This recommendation was not addressed in the Transition Report.

⁷³ Cook County FY2011 Executive Budget Recommendation, p. D-6.

Update:

There has been no action on this recommendation. The Health System has indicated they agree with this recommendation and plan to add the data to their website.⁷⁴

Status:

Supported But No Implementation

- Responsible Official(s): Health System Officials
- Overlapping Official(s): Not Applicable

22. Fully Exercise Presidential Budgetary Authority

Civic Federation Modernization Report Recommendation:

The Cook County Board President possesses executive authority over the budgets of all County offices and departments including those of the elected officials. Whether or not authority is exercised is a matter of presidential discretion.⁷⁵

Transition Report Prepared for Board President Preckwinkle Initiative:

Several initiatives in the Transition Report point to a willingness to use executive authority to reduce costs, increase operational efficiency and impose budget discipline. They include:

- Initiative 2: Completely Repeal the Sales Tax by FY2013.
- Initiative 3: Improve Budgeting with Long-Term, Financial Planning, Capital Strategy, and Greater Transparency.
- Initiative 4: Establish a New Performance Management Culture.
- Initiative 6: Share Services Across County Agencies, for Both Back-Office and Front-Office Functions.
- Initiative 7: Undertake a Desk and Compensation Audit.
- Initiative 8: Reduce Personnel Costs through Strategic Sourcing.
- Initiative 10: Improve Efficiency of the Criminal Justice System.
- Initiative 11: Engage in Pending Labor Negotiations, Seeking Equitable Contracts Consistent with Fiscal Realities.
- Initiative 13: Restructure County Debt.
- Initiative 14: Provide Comprehensive Review of and Limit Overtime Spending.
- Initiative 15: Audit Benefits Provided to Employees.
- Initiative 16: Establish a Pensions Sub-Committee to Design and Implement Pension Reform.

⁷⁴ Meeting between the Civic Federation and William Foley, Chief Executive Officer of the Health System, March 4, 2010.

⁷⁵ Based on research prepared by Thomas J. McNulty, Esq., of Neal, Gerber and Eisenberg. See Civic Federation, *Cook County Modernization Report: A Roadmap For Cook County Government*, October 25, 2010, p. 145.

- Initiative 17: Audit Real Estate Holdings and Adopt a Portfolio Approach to Property Management.
- Initiative 18: Centralize Fleet management.
- Initiative 19: Investigate Ending Tax Subsidy to Unincorporated areas.
- Initiative 20: Explore Enhancing Revenues by Securing Grant Funding and Providing Fee-Based Services to Other Jurisdictions.
- Initiative 21: Improve Energy Efficiency by Greening County Buildings.
- Initiative 26: Enter into Strategic Partnerships to Improve the Health System.

Update:

Many of the efficiency proposals listed above will require several years to implement. However, Board President Preckwinkle took a major step toward improving Cook County's financial situation in her first 100 days. She won approval of a \$3.0 billion FY2011 budget that is smaller than the budget for the previous year and that includes deep spending cuts. The administration successfully negotiated and won approval of significant spending reductions in the budgets of all elected officials. The phased-in elimination of the sales tax increase guarantees that continued efficiencies and cost reductions will be made in future budget years.

Status:

Significant Progress

- Responsible Official(s): Board President
- Overlapping Official(s): Not Applicable

28. Separate the Cook County Forest Preserve District Board from the Cook County Board

Civic Federation Modernization Report Recommendation:

The Civic Federation calls on Cook County elected officials to support legislation to create a separate board of commissioners for the Forest Preserve District of Cook County. In the spring of 2008 the Civic Federation, along with Friends of the Forest Preserves, issued a report advocating for the creation of a separate elected Board of Commissioners to govern the Forest Preserve District.⁷⁶ The report pointed to a governing structure with an inherent conflict of interest that has resulted in numerous adverse results. For example, the lack of oversight has resulted in a questionable land sale, poor land-use decisions and the transfer of funds from the District to the County. The report also cited a disproportionate allocation of meeting time between County issues and District issues. Commissioners are appropriately required to spend great amounts of time dealing with issues pertinent to their County oversight duties, which leaves them little time to focus on the needs of the District.

The Civic Federation and the Friends of the Forest Preserves strongly recommend that a separately elected Board of Commissioners be created for the Forest Preserve District of Cook

⁷⁶ Civic Federation and Friends of the Forest Preserves, *Forest Preserve District of Cook County: A Call for a Separate Board of Commissioners*, March 17, 2008.

County. This action does not create a new government entity and its creation should not result in any additional costs for the District. The new board should be elected countywide via a non-partisan election and have a board president selected among and by the members of the board. A separate board will allow voters to elect Commissioners on the basis of candidates' positions, credentials, experience and interest in forest preserve governance. It will also provide the necessary governance and oversight required for operating one of the largest forest preserve districts in the nation. Legislation has been introduced in the Illinois General Assembly to create a separate board of commissioners for the District.⁷⁷

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report does not address governance of the Forest Preserve District.

Update:

There has been continued evidence that the residents of Cook County are ill-served by the current governing structure. For example, passage of the Forest Preserve District's FY2011 budget was significantly delayed. The staff of the District filed a FY2011 proposed budget for review by the District's governing board on October 6, 2010. Despite the staff's timely preparation of a budget, the Board did not review the proposal in October. Instead, a new budget was presented on January 26, 2011 and was not adopted until February 23, 2011, nearly two months into the District's fiscal year. In another recent example, the District's Real Estate Committee is considering a request from the Blue Park Gun Club for a license to continue their activities. At issue are lands that the County gave to the District apparently as reimbursement for funds transferred to the County. The transfer created a conflict with the District's land-use policies and the County's historic practice of permitting the shooting range.

Board President Preckwinkle has indicated she does not support this proposal citing concerns about special interests and a desire to merge administrative functions.⁷⁸

Status:

Opposed

- Responsible Official(s): Illinois General Assembly
- Overlapping Official(s): Board President, Board of Commissioners

Recommendations for 2011

The following recommendations should be implemented during FY2011, which ends November 30, 2011. The focus of the recommendations is to streamline County operations, introduce additional efficiencies and formalize policies to guide future financial decisions.

⁷⁷As of this writing, House Bill 1505 has been assigned to the House Rules Committee and its companion bill Senate Bill 2000 is currently in the Senate Assignments Committee.

⁷⁸Hal Dardick, "Cook County forest preserves could spend more on buying land," *Chicago Tribune*, January 26, 2011.

11. Produce Audited Financial Statements within Six Months of Close of Fiscal Year

Civic Federation Modernization Report Recommendation:

Cook County's fiscal year begins on December 1 and ends on November 30. The Civic Federation believes that all governments should release audited financial statements no later than six months after the close of their fiscal year. For the County that would be a release of the Comprehensive Annual Financial Report (CAFR) by May 31 of the following calendar year. Unfortunately, Cook County has fallen into a pattern of delaying the release of its CAFR. Cook County's ongoing delays in releasing its audited financial statements diminish its accountability because the public cannot access important financial information needed to assess the government's financial condition in a timely fashion.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report Initiative 23, "make budget information publicly accessible and budget decisions more transparent," states that financial statements have not been adopted in a timely fashion (p. 19). It says going forward the President's office will gather expenditure schedules on a regular basis to improve the speed of year end reporting.

Update:

No further actions have been reported.

Status:

Supported But No Implementation

- Responsible Official(s): Board President, Chief Financial Officer
- Overlapping Official(s): Elected Officials

12. Adopt Budget Prior to the Start of the Fiscal Year

Civic Federation Modernization Report Recommendation:

In government a budget serves not only as a financial plan, but also as the legal authority to raise revenues and expend funds. To properly serve both roles, a budget should be passed well before the start of the fiscal year. Upcoming budgets will require that Cook County undertake significant changes to programs and services including the mixture of services provided, the level at which they are provided and how they are delivered. Staff will need time in advance of the start of the fiscal year to effectively implement these changes. With the exception of the FY2010 budget, recent Cook County budgets have passed well after the start of the new fiscal year. Cook County should adopt a budget at least a month in advance of the start of the fiscal year.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report Initiative 23, “make budget information publicly accessible and budget decisions more transparent,” states that budgets have not been adopted until well into the fiscal year (p. 19). It makes a commitment to recommend and pass a FY2012 budget before the beginning of the fiscal year.

Update:

The FY2011 budget was not passed until February 26, 2011. The FY2011 budget document reaffirms the County’s commitment to begin passing the annual budget before the start of the fiscal year. It states that Board President Preckwinkle will begin preparation of the FY2012 budget immediately after adoption of the FY2011 budget.⁷⁹ The administration reports that the Board President and the Chief Financial Officer have already begun preparations for the FY2012 budget, including convening a CFO roundtable⁸⁰

The Civic Federation recognizes that Board President Preckwinkle could not have developed a budget for FY2011 in advance of the beginning of the fiscal year due to the transition. However, other governments are able to manage timely release of budgets in election years and the County has a long history of delayed budgets. The Federation urges the County to permanently reform its budgeting process in order to ensure that budgets are passed before the start of the fiscal year even during election years.

Status:

Supported But No Implementation

- Responsible Official(s): Board President, Chief Financial Officer, Budget Director
- Overlapping Official(s): Elected Officials, Board of Commissioners

⁷⁹ Cook County FY2011 Executive Budget Recommendation, Budget Summary, p.7.

⁸⁰ Cook County, *100 Day Report Card*, March 16, 2011, p. 8.

16. Eliminate Subsidy for Unincorporated Areas

Civic Federation Modernization Report Recommendation:

Cook County government currently provides law enforcement, animal control, liquor control and building and zoning services to the 109,300 residents in county unincorporated areas. Providing services to the unincorporated areas is expensive. In FY2010, the cost for law enforcement, building and zoning, highways and animal control was approximately \$54.7 million⁸¹ or \$501 per resident of the unincorporated areas. There are three potential strategies to reduce the cost of providing these services to the Cook County unincorporated areas: annexation to neighboring municipalities, creating Special Service Areas or transferring responsibilities to neighboring municipalities.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 19 of the Transition Report is to investigate eliminating the tax subsidy to unincorporated areas (p. 17). The Board President pledged to work with the Treasurer to present a proposal to the County Board to reclassify unincorporated areas or establish service fees.⁸²

Update:

The Bureau of Finance has completed a brief analysis of the tax subsidy provided to unincorporated areas. One issue noted by the administration is the vast disparities in economic status of residents in unincorporated areas. Their analysis of socio-economic data indicated that a single solution to the subsidy in unincorporated areas was not appropriate. The County is evaluating four potential approaches to the issue and conducting an analysis of the cost of services. They will be segmented into high/moderate income and low-income solutions.⁸³

Status:

Supported But No implementation

- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners, Municipal Governing Bodies

17. Implement Alternative Service Delivery Options

Civic Federation Modernization Report Recommendation:

Outsourcing, or alternative service delivery, may provide opportunities to reduce the cost or increase the effectiveness of service delivery for selected programs. Transferring responsibility for service delivery to a private firm or nonprofit organization can be beneficial only if there is a

⁸¹ Data from the FY2010 Cook County Appropriation Bill.

⁸² Cook County Transition Report, December 7, 2010, p. 17.

⁸³ Cook County, *100 Day Initiatives – Investigate Ending Tax subsidy to Unincorporated Cook County*, <http://blog.cookcountygov.com/wp-content/uploads/2011/03/Ending-Tax-Subsidy-Preliminary-Investigation.pdf> (last visited March 16, 2011).

marketplace of competitive, qualified vendors or service providers and strong, sustained management oversight by the government that includes public reporting of efficiencies and/or savings achieved. Privatization efforts, i.e., the transfer of service delivery responsibilities to the private sector, should be focused on non-essential services or programs.⁸⁴ Possible opportunities for alternative service delivery in Cook County include the privatization of the Sheriff's custodial duties in the County building and courthouses, the County's process of service function, pharmacies in the Health and Hospital System and the County's print shops.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report does not reference alternative service delivery proposals.

Update:

No action has been taken regarding alternative service delivery options. The administration has been exploring alternative service delivery options and the Board President's original budget recommendation contained outsourcing a number of position classifications in the Facilities Department.⁸⁵ With the acceptance of furlough days, the administration restored the positions pending further study.⁸⁶ The Board President plans to explore other alternative service options if they positively impact the fiscal state of the County and improve services.⁸⁷

Status:

Supported But No Implementation

- Responsible Official(s): Board President
- Overlapping Official(s): Sheriff, Chief Executive Officer of Health System

18. Aggressively Pursue Medicaid Patients and Revenues

Civic Federation Modernization Report Recommendation:

The Health System should seek every opportunity to increase its Medicaid business. Medicaid is the primary source of Health System operating revenues, and the vast expansion of Medicaid coverage planned under national healthcare reform beginning in 2014 could represent a significant opportunity if the System is able to attract new Medicaid patients.

Transition Report Prepared for Board President Preckwinkle Initiative:

This recommendation was not addressed in the Transition Report.

⁸⁴ See Civic Federation. *Alternative Service Delivery Issue Brief*, December 1, 2006.

⁸⁵ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

⁸⁶ E-mail communication between the Civic Federation and the Office of the Board President, March 22, 2011.

⁸⁷ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

Update:

Medicaid patient fees in FY2010 are expected to be as much as \$50 million below budgeted levels.⁸⁸ System officials have attributed the shortfall to both a decline in Medicaid patients and a backlog of applications for Medicaid enrollment waiting to be processed by the State of Illinois. The decline in Medicaid patients has been linked to a failure to pursue participation in a State of Illinois Medicaid managed care program and increased competition for Medicaid patients from other hospitals. The backlog of Medicaid applications has grown due to efforts by the System to ensure that eligible patients are enrolled in Medicaid. The System plans to pay the State to process the applications by June 30, 2011; the medical expenses would be eligible for enhanced federal reimbursement under the American Recovery and Reinvestment Act of 2009 and are projected to generate roughly \$40 million in revenues.

Status:

Limited Progress

- Responsible Official(s): Health System Board of Directors and Officials
- Overlapping Official(s): Not Applicable

19. Reform Information Technology Practices

Civic Federation Modernization Report Recommendation:

The County should fully implement its selected Enterprise Resource Planning (ERP) system, including general ledger, accounts payable, fixed assets, inventory, purchasing, accounts receivable, budgeting, grants, human resources, payroll and work flow modules; create an enterprise-wide policy for all information technology needs that forces the re-engineering of existing systems and processes; and study the possibility of switching to Voice Over Internet Protocol for phone services.

Transition Report Prepared for the Board President Preckwinkle Initiative:

Initiative 6 of the Transition Report (p. 6) involves sharing services across county agencies for both back- and front-office functions and indirectly addresses part of this recommendation.

Update:

In addition to taking steps to select an ERP system, discussed in Recommendation 6, the County is considering the potential for VOIP and cloud computing.⁸⁹ In its budget presentation to the Board of Commissioners on February 4, 2011, the Bureau of Technology included a plan for countywide IT governance and program management. The plan is intended to better qualify IT projects before funding them, to seek more opportunities for collaboration and joint development

⁸⁸ Cook County FY2011 Executive Budget Recommendation, Revenue Estimate, p. 48; Cook County FY2010 Appropriation Bill, Revenue Estimate, p. 59; Cook County Health and Hospitals System FY2011 Preliminary Budget Draft, October 19, 2010, p. 10.

⁸⁹ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011. Cloud computing typically includes offsite email and storage, software as a service and platform as a service.

or acquisition, to ensure competitive purchases and to track the progress of IT projects. An ordinance is expected to be introduced in April 2011 to require that the new policy be applied to all large or critical projects. The Bureau's FY2011 reorganization included a new shared services unit to analyze opportunities for IT consolidation and shared services throughout the County.

Status:

Significant Progress

- Responsible Official(s): Board President and Chief Information Officer
- Overlapping Official(s): Not Applicable

20. Reform Purchasing Practices

Civic Federation Modernization Report Recommendation:

Purchasing has been identified in many previous reports as an area where there are opportunities to achieve significant cost savings and operational improvements. It is an area that exemplifies the outmoded practices of the County and through reform can come to represent its modernization. One area to focus on is consolidation of purchasing across the organization. An internal or external analysis should be utilized to look for opportunities across the County where spending for commodities can be consolidated and the full buying power of the County can be leveraged through various modern procurement methods. In addition, a well-designed procurement card program for small purchases can lead to efficiencies, although strong protections against fraud and abuse must be in place.

The County also needs to become a desirable business partner. Some vendors may be hesitant to do business with the County because of the unique requirements of governmental purchasing. The County should take steps improve its vendor relationships by improving timeliness of payments, evaluating contract stipulations and soliciting feedback from vendors.

Transition Report Prepared for Board President Preckwinkle Initiative:

Transition Report Initiative 8, "reduce procurement costs through strategic sourcing," stated that the County will identify immediate opportunities for cost saving, improve the purchasing process and help to build more responsive and effective purchasing to improve relations with vendors (p. 11).

Update:

Board President Preckwinkle quickly appointed a new Purchasing Agent who has committed to immediately begin working to improve the purchasing function including strategic sourcing or pooling of purchases.⁹⁰ The FY2011 budget included expected savings from non-personnel costs through reverse auctions, renegotiating contracts and improving purchasing practices.

⁹⁰ Cook County, "Preckwinkle appoints leaders in procurement and contract compliance," news release, December 21, 2010.

The administration reports that the County has begun combining like requests to leverage volume and a strategic sourcing plan was developed with pro bono assistance from Abbott.⁹¹ It is also working to enhance the procurement process to include research, active vendor sourcing and pre-proposal conferences. The County has issued an RFP and engaged a third party expert to re-examine contracts and processes.⁹² The County plans to eventually time procurement more strategically and is researching P-Card services. Lastly, the Office of the Purchasing Agent is working with the Bureau of Information Technology to make the Purchasing website more user-friendly and provide vendors a means of contributing feedback. It anticipates making a similar tool available to County departments to facilitate receipt of internal feedback.⁹³

Status:

Significant Progress

- Responsible Official(s): Board President and Purchasing Agent
- Overlapping Official(s): Elected Officials

21. Provide Incentives for Further Expenditure Reductions and Fee Revenue Enhancements

Civic Federation Modernization Report Recommendation:

Across-the-board reductions provide little incentive to departments and elected officials to proactively reduce their budgets. Cook County should utilize financial forecasting and make the forecasts publicly available to determine the scale of the reductions that will be necessary over the next two to five years. The forecast can be used as the basis to provide a multi-year reduction target to departments and elected officials. This can serve as the basis to provide departments with incentives to proactively reduce budgets and increase revenues. Oakland County, Michigan provides one possible model. Each elected official was provided an annual reduction target for the subsequent three years and told that any surplus savings at year-end would be designated in fund balance to be utilized as a one-time source of funds that could be applied in future years.⁹⁴ The result was that officials had an incentive to take budget reduction actions as soon as possible to accumulate savings.

Transition Report Prepared for Board President Preckwinkle Initiative:

Transition Report Initiative 4, “establish a new performance management culture,” states that the President will adopt innovative ideas from other governments and the private sector such as a performance bank (p. 8). A performance bank would credit departments that developed performance enhancing ideas in future budget decisions. This represents a method to encourage further budgetary reductions.

⁹¹ Cook County, *100 Day Report Card*, March 16, 2011, p. 9.

⁹² Cook County, *100 Day Report Card*, March 16, 2011, p. 9.

⁹³ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

⁹⁴ Laurie Van Pelt, “Oakland County: emphasizes long-term planning over immediate fixes,” *Government Finance Review*, April 2010.

Update:

As part of the FY2011 budget process, agencies were given credit for new revenue initiatives. The administration plans to explore a performance bank to provide incentives for reductions once performance metrics have been put in place.⁹⁵

Status:

Limited Progress

- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners, Elected Officials

23. Prepare a Comprehensive Capital Improvement Program Updated Annually

Civic Federation Modernization Report Recommendation:

Cook County should develop a comprehensive capital improvement plan (CIP) that includes a prioritized list of all proposed capital projects and funding sources. Goals and guidelines in a CIP document help manage capital spending effectively to meet legislative goals. These goals should include maintaining current assets while improving those assets through upgrades and monitoring any increase in operational cost that often accompanies new capital projects.

The County's capital program should also identify the funding source for all current and future planned capital investments. The type of funding should be analyzed for the appropriate use of bond funds, pay-as-you-go funds and ongoing capital leases. Long-term bond proceeds should only be used to fund projects with an estimated life as long as or longer than the term of the debt. Investments in capital assets with shorter life spans should be analyzed and prioritized for pay-as-you-go funding or capital leases to ensure effective use of capital funding sources.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 1 of the Transition Report proposes a moratorium on non-essential capital projects until capital program goals can be developed and incentives implemented to rationalize projects (p. 7). Initiative 3 pledges to prioritize capital projects and to review the County's capital structure, looking at lease/own options, establishing reserves and determining optional use of long-term bonds (p. 8). The report does not specifically discuss developing a formal capital improvement plan.

Update:

The administration has placed a moratorium on capital projects in the FY2011 budget and recognizes the need for improved capital planning. The Board President agrees that the CIP should include a prioritized list of capital projects and funding sources. The process will be

⁹⁵ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

overhauled with the new CIP, which will be presented with the budget before the close of the fiscal year.⁹⁶

Status:

Supported But No Implementation

- Responsible Official(s): Board President
- Overlapping Official(s): Chief Officer of Capital Planning

24. Implement a Formal Long-Term Financial Planning Process

Civic Federation Modernization Report Recommendation:

Cook County should immediately begin to develop a long-term financial plan. This is one of the single most important financial practices for local governments to undertake. The Government Finance Officers Association (GFOA) and the National Association Advisory Council on State and Local Budgeting (NACSLB) consider long-term financial planning to be a pillar of proper financial management. The NACSLB defines the financial planning process as an assessment of the long-term financial implications of current and proposed policies, programs and assumptions with development of appropriate strategies to achieve the plan's goals.⁹⁷ A key component of the financial planning process is engaging all stakeholders in the process. The GFOA describes the long-term financial planning process as "not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff, and the public."⁹⁸

Transition Report Prepared for Board President Preckwinkle Initiative:

Transition Report Initiative 3, "improve budgeting with long-term financial planning, capital strategy, and greater transparency," explains that the County currently budgets each operating and capital budget year-by-year without long-term projections (p. 8). It states that the FY2012 budget preparation will include long-term revenue and expenditure projections. It also states that long-term financial planning would enable better resource allocation.

Update:

No further action has been reported.

Status:

Supported But No Implementation

- Responsible Official(s): Board President, Chief Financial Officer, Budget Director
- Overlapping Official(s): Elected Officials, Board of Commissioners

⁹⁶ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

⁹⁷ National Advisory Council on State and Local Budgeting, *Recommended Budget Practices*, (Chicago: GFOA, 1998).

⁹⁸ Government Finance Officers Association, "An Introduction to Financial Planning," (<http://www.gfoa.org/downloads/LTFPbrochure.pdf> (last visited on January 10, 2011).

25. Develop, Track and Publicize Purchasing Performance Goals and Metrics

Civic Federation Modernization Report Recommendation:

Performance measurement and goal setting are encouraged for all County functions, but are especially critical within the purchasing area. Purchasing can involve trade-offs between various goals such as cost reduction, adherence to regulations, expanding opportunities, efficiency and other policies. Clear goals and performance measures ensure that purchasing within the County is focused on the most critical objectives. Performance measures can also build trust among partners. County departments and outside contractors may be more eager to cooperatively work with the Office of the Purchasing Agent when a track record of success can be demonstrated. The Cook County Cost Control Task Force identified timeliness as a key metric that should be the subject of benchmark studies in order to ensure the County is in step with current norms.⁹⁹

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report supports both performance measurement and purchasing reforms, but does not specifically mention purchasing performance measurement.

Update:

A revamped purchasing website will be implemented within 2011 to increase purchasing transparency. The administration plans to have clear goals and metrics for purchasing in its quarterly performance reports.¹⁰⁰

Status:

Supported But No Implementation

- Responsible Official(s): Board President and Chief Procurement Officer
- Overlapping Official(s): Not Applicable

Recommendations for 2012

The Civic Federation recommends that in FY2012, year two of Board President's Preckwinkle's administration, the County focus on reforming its criminal justice system. The County should also work to ensure continued progress in reform of the Health System reform and establish a fund for capital replacement in the FY2012 budget.

⁹⁹ Civic Federation and Chicagoland Chamber of Commerce, *Cook County Cost Control Task Force*, June 2001, p. 56.

¹⁰⁰ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

26. Reform Criminal Justice Practices

Civic Federation Modernization Report Recommendation:

The two major areas of Cook County expenditures are criminal justice and health. The County has already begun the process of reforming the Health System and should begin to undertake modernization of criminal justice by addressing public safety operations and policies. The Cook County Board of Commissioners should consider the Public Safety Task Force findings and adopt suitable recommendations. The Board President, with the cooperation of the public safety elected officials, should focus on making improvements to criminal justice operations and improving efficiency. The Cook County Board should consider larger criminal justice policy issues that may arise from the task force, such as how to address non-violent and mentally ill offenders, the proper adjudication process including the possible role for recognizance bonds and electronic monitoring, diversion programs and juvenile detention alternatives. In addition, the County should establish a performance management system for the criminal justice departments and proceed with implementation of electronic filing for the County's Court System.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 10 of the Transition Report, "improve efficiency of the criminal justice system," says that the Board President Preckwinkle will form a committee to examine criminal justice functions (p. 12). The Transition Report states that the President will work with other elected officials, and diversion and alternative sentencing programs. The County will promote building the capacity of nonprofits and community-based organizations to expand correctional education, substance abuse and mental health programs. The report cites the average \$117 per day cost to detain an individual in Cook County jail.

Update:

Board President Preckwinkle has made repeated public statements in support of reforming the criminal justice system. For example, she said that she intends to expand alternatives to incarceration by investing in programs and working with other County elected officials, which could result in significant cost savings.¹⁰¹

The administration has redirected the Judicial Advisory Council (JAC) to focus on broader criminal justice policy issues and is enhancing the Criminal Justice Coordinating Council to examine operational inefficiencies. JAC has begun working with the Sheriff's Office, Cermak Health Services and Cook County Department of Facilities Management to assist the three in reaching compliance under the Department of Justice Agreed Order. The County has engaged Perkins Coie LLP to support its goal of reaching substantial compliance on all of the order provisions by 2013 and develop the policies and procedures to maintain substantial compliance.

The President's Office, through JAC, is bringing together all of the public safety stakeholders to apply for Technical Assistance under the Justice Reinvestment Initiative through the Department

¹⁰¹ Speech to the Civic Federation Board of Directors by Toni Preckwinkle, Cook County Board President, January 13, 2011.

of Justice Bureau of Assistance. The goal of Justice Reinvestment is to implement data-driven approaches to reduce corrections and other criminal justice spending and reinvest savings in strategies to increase public safety.¹⁰²

Status:

Limited Progress

- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners, Chief Judge of the Circuit Court, the Clerk of the Circuit Court and the Sheriff, Public Defender, State's Attorney

27. Reevaluate Health System Strategic Plan Based on Financial Resources and Geographic Needs

Civic Federation Modernization Report Recommendation:

In July 2010 the Board of Commissioners approved the Health System's five-year strategic and financial plan. The System should regularly evaluate and adjust the plan in light of the System's financial resources and the demographics of the County.

Transition Report Prepared for Board President Preckwinkle Initiative:

This recommendation was not addressed in the Transition Report.

Update:

The Health System has only recently begun to implement the plan and no changes have yet been made.

Status:

Supported But No Implementation

- Responsible Official(s): Health System Board of Directors and Officials
- Overlapping Official(s): Not Applicable

29. Identify and Restrict Cost-Shifting to the Health System from Other Healthcare Providers

Civic Federation Modernization Report Recommendation:

The Health System should determine the extent to which it is bearing costs that should be borne by other healthcare providers and implement policies to eliminate sources of this cost-shifting. Examples include provision of free or discounted care to non-residents of Cook County and provision of free prescriptions to patients of federally-subsidized health centers. Referral of

¹⁰² E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

uninsured patients to the Health System by not-for-profit hospitals could be seen as another form of cost-shifting.

Transition Report Prepared for Board President Preckwinkle:

This issue was not addressed in the Transition Report.

Update:

The Health System has implemented policies to prevent some types of cost-shifting, but enforcement will continue to be problematic until ongoing efforts to improve patient eligibility verification are completed. Currently, the System does not have adequate systems in place to determine the amount of cost-shifting and the impact on the System's budget.

Status:

Limited Progress

- Responsible Official(s): Health System Board of Directors and Officials
- Responsible Official(s): Not Applicable

33. Establish Reserve Funds for Capital Equipment Replacement

Civic Federation Modernization Report Recommendation:

Cook County should establish a capital reserve policy in accordance with the best practices prescribed by the Government Finance Officers Association instead of using bond funds for capital resources with shorter useful lives than the life of the debt.¹⁰³ The County should adopt the following policies for acquisition, maintenance and replacement of capital equipment:

- Maintain and update annually a comprehensive inventory of all capital assets including estimated replacement cost, periodic physical condition updates and realistic useable life estimates;
- Establish replacement plans for all capital equipment with a schedule for purchase prioritized by overall goals and objectives of the County to maintain service levels;
- Allocate adequate annual funding to capital reserves to enable replacement of capital equipment within the estimated usable life of the asset without using long-term bond proceeds; and
- Establish an ongoing source of funds for both the capital plan and budget for renewal and repair of capital equipment.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 3 of the Transition Report pledges to establish capital reserves (p. 8).

¹⁰³ GFOA, Capital Asset Management, Maintenance and Replacement Policy, (2007 and 2010), http://www.gfoa.org/downloads/GFOA_capassetspolicyBP.pdf (last visited on October 1, 2010).

Update:

No reserve funds for capital equipment replacement funds have been established. The administration supports this initiative, but notes that it will require long-term planning over several budget cycles.¹⁰⁴

Status:

Supported But No Implementation

- Responsible Official(s): Board President, Chief Financial Officer
- Overlapping Official(s): Board of Commissioners

Recommendations for 2013

The Civic Federation recommends that in FY2013, year three of Board President Preckwinkle's term, the County focus on reforming its governance structure. The cooperation of other elected officials will be particularly critical to implementing such reforms.

30. Create a Unified Property Tax Administration Office

Civic Federation Modernization Report Recommendation:

A unified property tax administration office would improve efficiency and reduce the cost of operating Cook County's complex and labyrinthine property tax system. The office would merge the Treasurer's office; the County Clerk's tax extension, tax redemption and map divisions; the part of the Recorder's office dealing with property records; and the Auditor's property functions. It would be appointive. Several previous proposals had called for merging the assessor's office into a unified property tax administration office.¹⁰⁵ However, the Federation believes that this move could potentially compromise the integrity and independence of the property assessment process. Instead, assessment should be maintained separately from the property tax extension, redemption, collection and disbursement processes. Creating a unified Office of Property Tax Administration would require a county referendum.¹⁰⁶

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report does not reference this proposal.

Update:

No direct action has been taken to date toward creation of a Unified Property Tax Administration Office. The administration notes that the initiative would require in-depth analysis as well as

¹⁰⁴ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

¹⁰⁵ See Cook County Commissioner Mike Quigley, *Reinventing Cook County*, Part I, December 2003, pp. 20-22 and Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).

¹⁰⁶ Illinois State Constitution Article VII Section 4(c) County Officers.

public meetings prior to a County referendum. The Board President believes streamlining property tax administration is an important initiative.¹⁰⁷

Status:

Position Not Determined

- Responsible Official(s): Board of Commissioners, Voters
- Overlapping Official(s): Not Applicable

31. Merge Clerk and Recorder of Deeds Offices

Civic Federation Modernization Report Recommendation:

The offices of County Clerk and the Recorder of Deeds should be merged into a single office. In Illinois counties with population of under 60,000 the county clerk is also the recorder. This is also the case in many counties across the nation. If the Office of Property Tax Administration as proposed by the Civic Federation were implemented, a consolidated Clerk-Recorder would retain responsibility for vital records and elections. Implementing this proposal would require approval by county referendum.¹⁰⁸

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report does not reference this proposal.

Update:

There have not been discussions regarding this proposal. The administration believes savings can be achieved with or without a merger.¹⁰⁹

Status:

Position Not Determined

- Responsible Official(s): Board of Commissioners, Voters, General Assembly
- Overlapping Official(s): Clerk, Recorder of Deeds

32. Allow the Judiciary to Appoint the Clerk of the Circuit Court

Civic Federation Modernization Report Recommendation:

The Illinois Constitution permits the General Assembly to authorize appointment of Circuit Court Clerks by the Circuit Court Judges.¹¹⁰ Therefore, this change would require state

¹⁰⁷ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

¹⁰⁸ Illinois State Constitution Article VII Section 4(c) County Officers.

¹⁰⁹ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

¹¹⁰ Illinois State Constitution, Article VI, section 18 – Clerks of Courts.

legislation. Several large counties in other states, including Hennepin and Los Angeles Counties, appoint their court clerks. The argument for appointment rather than election of this office is that it is a ministerial rather than a policymaking office.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report does not reference this proposal.

Update:

The Board President is not taking a position on the issue and believes the administration can successfully work with officials to achieve County goals regardless of whether they are elected or appointed.¹¹¹

Status:

Position Not Determined

- Responsible Official(s): Board of Commissioners, Illinois General Assembly
- Overlapping Official(s): Chief Judge

Recommendations for 2014

The Civic Federation recommends that in FY2014, year four of Board President Preckwinkle's term, the County focus on pension reform and establishing a stable revenue structure for the County.

34. Implement Pension Reforms

Civic Federation Modernization Report Recommendation:

The Cook County pension fund actuarial value funded ratio has fallen from 94.0% to 63.2% over ten years. The unfunded accrued actuarial liabilities have reached \$4.6 billion, or \$876 per Cook County resident.¹¹² The Civic Federation recommends that Cook County undertake major reforms to contributions and benefits in order to keep the pension fund solvent and distribute the tax burden more fairly by tackling the problem sooner rather than requiring larger service cuts or tax increases later to keep promises made to retirees and employees.

The Civic Federation's Modernization Report made the following specific recommendations:

Fund Pensions at the Annual Required Contribution Level

The current employer contribution is not related to the health of the fund, but is simply a multiple of employee contribution made two years earlier. The cost to fund at the actuarially calculated annual required contribution (ARC) level will be high: In FY2009 the employer cost would have

¹¹¹ E-mail communication between the Civic Federation and the Office of the Board President, March 11, 2011.

¹¹² Civic Federation, *Cook County FY2011 Proposed Budget: Analysis and Recommendations*, February 16, 2011, pp. 47-50 and Civic Federation, *Cook County Modernization Report: A Roadmap For Cook County Government*, October 25, 2010, p. 95.

almost tripled, adding an additional \$322.5 million to the current \$188.3 million employer contribution. This cost increase would be reduced if the ARC funding were shared with employees. Employer and employee contributions should be increased and made actuarially related to fund health (see the Chicago Transit Authority model—perhaps a 60%/40% employer/employee contribution structure).

Reduce Benefits for Current Employees

Following the recommendations put forth by the Civic Committee of the Commercial Club, the County will likely need to reduce pension benefits for current employees. Retiree benefits are protected and future hire employee benefits were reduced during the last legislative session. If the pension plan's funded ratio is allowed to deteriorate past the point of recovery, non-vested current employee benefits will have to be reduced.

Implement Governance Reforms

The County should reform board governance to be more balanced with management and citizen members rather than employee/retiree dominated.

Prohibit Benefit Enhancements Until 90% Funded

Cook County should pursue legislation to prohibit benefit enhancements unless the plan is over 90% funded, enhancements are fully funded with contributions and will expire in five years.

Transition Report Prepared for Board President Preckwinkle Initiative:

Initiative 16 of the Transition Report stated that Board President Preckwinkle would work with the County Board to establish a Pensions Sub-Committee that will design and implement pension reform (p. 15). The Transition Report recognized that early action on this issue will help avoid future tax increase and service cuts.

Update:

Board President Preckwinkle created a Pension Sub-Committee of the Cook County Finance Committee at her first County Board meeting on December 14, 2010.¹¹³ The Pension Sub-Committee is chaired by Commissioner Bridget Gainer and held its first meeting on January 19, 2011.

The Pension Sub-Committee does not currently have any additional meetings scheduled and has not yet begun public discussions of reforming the Cook County pension fund.¹¹⁴

Status:

Supported But No Implementation

¹¹³ Cook County Ordinance 11-O-04, https://agenda.cookctyclerk.com/Upload/Ordinance_pdf_121410_70.pdf (last visited on March 9, 2011); and Cook County Resolution 11-R-21, https://agenda.cookctyclerk.com/Upload/Resolution_pdf_121410_70.pdf (last visited on March 9, 2011).

¹¹⁴ Pension Sub-Committee calendar is available at <http://legacy.cookcounty.gov/secretary/committees/Finance/Pension/Pension.html> (last visited on March 9, 2011).

- Responsible Official(s): Board President, Board of Commissioners
- Overlapping Official(s): Illinois General Assembly

35. Consider Establishing a Dedicated Revenue Stream for the Health System

Civic Federation Modernization Report Recommendation:

The County should consider establishing a dedicated revenue stream for the Health System to serve as the System's total subsidy from the County. The source could either be an earmarked tax or a formula for determining the subsidy. The County and the Health System could both benefit from predictability in the System's annual subsidy. As a unique, business-like enterprise within the County, the Health System should not be constrained by the County's budgeting process. At the same time, the County cannot afford to allocate unlimited resources to providing healthcare for the indigent. A long-run goal of the Health System is to create a not-for-profit corporation to raise funds from foundations and private philanthropists. Donors might be more receptive to the idea of supporting the Health System if it had a greater level of budgetary independence.

Transition Report Prepared for Board President Preckwinkle:

This recommendation was not addressed in the Transition Report.

Update:

Health System officials are considering alternatives for a dedicated funding stream. The Board President considers the issue to be a long-term initiative that requires careful study, partly because of the unknown effect of national healthcare reform on the Health System.

Status:

Position Not Determined

- Responsible Official(s): Board President, Board of Commissioners, Health System Board of Directors
- Overlapping Official(s): Not Applicable

36. Develop a Vision for the County Revenue Structure

Civic Federation Modernization Report Recommendation:

The County should develop a revenue diversification policy to ensure that crucial services receive a stable funding source. There has been a clear change in direction of the County's revenue structure away from the property tax as the largest revenue source and toward home rule taxes, including the sales tax. Cook County has not increased the property tax levy during the past ten years while increasing other taxes and fees. Each type of tax and fee brings with it unique advantages and disadvantages. The overall mix of county revenues should be examined and discussed in order to develop a revenue mix target that furthers the County's fiscal and policy goals.

The property tax is an ad valorem tax, which means that it is determined according to value. The tax base (taxable assessed value of property) increased by 67.8% from tax year 2001 to tax year 2007. However, in Illinois if the property tax levy is kept flat none of the growth in property tax values or new construction is captured by the tax; only the distribution between taxpayers changes. The Cook County tax rate for real property has declined by 44.4% from 0.746 in tax year 2001 to 0.415 tax year 2008. Limited increases in Cook County's property tax levy may be appropriate if tied to a larger financial plan and after operational changes have been implemented. Limited increases in the property tax levy can then be used to address inflationary increases to ensure the structural deficit does not re-emerge.

Transition Report Prepared for Board President Preckwinkle Initiative:

The Transition Report did not address the overall County revenue structure. However, Initiative 20 is to explore enhancing revenues by securing grant funding and providing fee-based services to other jurisdictions (p. 17). In addition, Initiative 32 is to update fee structures to account for value of services, inflation and benchmarks and to monetize the County's assets (p. 24).

Update:

The Board of Commissioners passed adjustments to a number of taxes and fees on February 15, 2011 through Ordinance 11-O-18. The fee structure was updated to account for the value of services, inflation and benchmarks.¹¹⁵ The Board President has committed to financial planning as means to enable the repeal of the sales tax.¹¹⁶

Status:

Limited Progress

- Responsible Official(s): Board President
- Overlapping Official(s): Board of Commissioners

¹¹⁵ Cook County, *100 Day Report Card*, March 16, 2011, p. 18.

¹¹⁶ Cook County FY2011 Executive Budget Recommendation, Budget Summary, p.7.

APPENDIX A: SUMMARY OF MODERNIZATION RECOMMENDATIONS STATUS

Cook County Modernization Report Recommendations		
Recommendation	Status	Notes
<i>First 100 Days</i>		
1. Roll Back the Remaining Half Percentage Point Sales Tax Increase	Implemented	At the February 25, 2011 Cook County Board Meeting, an ordinance amendment was passed (12 to 5) to lower the County's sales tax to 1% beginning in 2012 and to 0.75% beginning in 2013.
2. Close the FY2011 Budget Deficit	Significant Progress	On Saturday, February 26 the Board of Commissioners approved the FY2011 budget. The budget makes significant reductions to County agencies and the Health System subsidy. The budget includes some temporary measures such as one-time revenues and furlough days. The budget will be challenging to implement and the County likely faces continued budget shortfalls.
3. Give Health System Budgetary Flexibility	Limited Progress	The Health System's budget reduction was based on its County subsidy. However, the County Board limited System flexibility by requiring that certain Medicaid revenues go to the County and requiring System furlough days instead of layoffs.
4. Appoint a Public Safety Task Force	Implemented	Included in Transition Report. The administration has made changes to the Judiciary Advisory Council and Cook County Criminal Justice Coordinating Council to accomplish the goals of a public safety task force.
5. Delay New Hiring Until January 1, 2011	Implemented	The Board President's office reports that between December 6, 2010 and December 31, 2010 a total of 32 exempt positions were vacated and the President only filled 17 positions.
6. Upgrade Existing Enterprise Resource Planning System	Significant Progress	The County has solicited information from potential vendors and plans to issue a Request for Proposal by the fourth quarter of FY2011.
7. Centralize Key Administrative Functions	Limited Progress	Included in Transition Report. FY2011 Budget Amendment 25 proposed to realign IT departments and place them under the responsibility of the Cook County CIO. The amendment was not passed by the Board due largely to State's Attorney concerns, but most commissioners expressed support. The administration reports that they have begun a number of efforts to consolidate back-office functions.
8. Integrate Performance Measurement into Budgeting Process and Make the Information Public	Significant Progress	Board President Preckwinkle proposed an ordinance, which was passed by the Board in February, to link performance management to the budget process. It will require each department to prepare a quarterly report that establishes measurable goals for the services provided and show the relationship to resources.
9. Adopt and Publish Financial Policies	Supported But No Implementation	No policies are included in the budget document. CFO has a goal to adopt GFOA policies.
10. Report Additional Appropriations and Resources Data in Annual Budgets	Significant Progress	Some additional data was included in the budget, but not those specified in the Modernization Report. County published new budget summary document with additional explanation.
13. Enhance Pension Fund Financial Reporting Data	Supported But No Implementation	Included in Transition Report, but not specific. The 100-day report card considers initiative 23 complete.
14. Include All Operating Expenses of the Health System in the System's Budget	Significant Progress	Fixed charges were allocated to the Health system, but pension and debt service contributions were not.
15. Report Key Indicators of Health System Performance on System Website	Supported But No Implementation	Information needed to track the Health System's progress is not available on its website.
22. Fully Exercise Presidential Budgetary Authority	Significant Progress	Agencies were required to make significant reductions. Administration is planning to utilize budget allotments.
28. Separate the Cook County Forest Preserve District Board from the Cook County Board	Opposed	Board President Preckwinkle has indicated she does not support.

<i>Recommendations for 2011</i>		
11. Produce Audited Financial Statements within Six Months of Close of Fiscal Year	Supported But No Implementation	Included in Transition Report.
12. Adopt Budget Prior to the Start of the Fiscal Year	Supported But No Implementation	Included in Transition Report.
16. Eliminate Subsidy for Unincorporated Areas	Supported But No Implementation	Transition Report recommended investigating. Board President Preckwinkle has expressed support in the media. The administration notes there are many methods to end the subsidy and believes further study and stakeholder input is needed.
17. Implement Alternative Service Delivery Options	Supported But No Implementation	No action has been taken, but plan to explore alternative service options if they positively impact finances and services.
18. Aggressively Pursue Medicaid Patients and Revenues	Limited Progress	The Health System is working to enroll patients in Medicaid and plans to pay the State to process a backlog of System-related Medicaid applications. National healthcare reform and the move toward managed care present challenges.
19. Reform Information Technology Practices	Significant Progress	In addition to taking steps to select an ERP system, the County is considering the potential for Voice Over Internet Protocol and cloud computing and has developed a plan for countywide IT governance and program management.
20. Reform Purchasing Practices	Significant Progress	Included in Transition Report. The administration has begun to combine like requests and a strategic sourcing plan has been developed.
21. Provide Incentives for Further Expenditure Reductions and Fee Revenue Enhancements	Limited Progress	Transition Report recommended crediting departments for performance enhancing ideas.
23. Prepare a Comprehensive Capital Improvement Program Updated Annually.	Supported But No Implementation	Moratorium placed on capital projects recognizing need for capital planning reforms.
24. Implement a Formal Long-Term Financial Planning Process	Supported But No Implementation	Included in Transition Report.
25. Develop, Track and Publicize Purchasing Performance Goals and Metrics	Supported But No Implementation	Included in Transition Report.
<i>Recommendations for 2012</i>		
26. Reform Criminal Justice Practices	Limited Progress	Included in Transition Report. The administration has made changes to the Judiciary Advisory Council and Cook County Criminal Justice Coordinating Council, has taken steps to reach substantial compliance and brought together stakeholders to apply for a technical assistance grant.
27. Reevaluate Health System Strategic Plan Based on Financial Resources and Geographic Needs	Supported But No Implementation	The Health System recently began to implement its strategic plan and has not made changes as yet.
29. Identify and Restrict Cost-Shifting to the Health System from Other Healthcare Providers	Limited Progress	The Health System has taken steps to curb cost-shifting but requires system improvements to fully implement.
33. Establish Reserve Funds for Capital Equipment Replacement	Supported But No Implementation	Included in Transition Report.
<i>Recommendations for 2013</i>		
30. Create a Unified Property Tax Administration Office	Position Not Determined	Board President Preckwinkle is supportive of streamlining property tax administration, but believes this initiative needs in-depth analysis and public meetings before going forward.
31. Merge Clerk and Recorder of Deeds Offices	Position Not Determined	There have not been discussions regarding this proposal.
32. Allow the Judiciary to Appoint the Clerk of the Circuit Court	Position Not Determined	Board President Preckwinkle is not taking a position on the issue.
<i>Recommendations for 2014</i>		
34. Implement Pension Reforms	Supported But No Implementation	Transition Report recommended establishment of a pensions sub-committee to explore.
35. Consider Establishing a Dedicated Revenue Stream for the Health System	Position Not Determined	The Health System supports this recommendation and is considering how it could be implemented, but the administration does not want to formulate a position until the effects of national healthcare reform are known.
36. Develop a Vision for the County Revenue Structure	Limited Progress	In February Ordinance 11-0-18 adjusted a number of fees. The Board President has committed to financial planning as a means to enable repeal of the sales tax.

APPENDIX B: REPORTS ON REFORMING COOK COUNTY GOVERNMENT

The Civic Federation considered the findings of the following reports in its examination of Cook County government.

- Cook County Board President John H. Stroger, *Financial Issues, Resources and Strategies for Transition (FIRST) Report*, May 24, 1995
- Cook County Board President John H. Stroger, Revenue Enhancement Committee, *Summary of Findings & Recommendations*, November 6, 1996
- Civic Federation and Chicagoland Chamber of Commerce, *Cook County Cost Control Task Force Report*, June 2001
- Cook County Commissioner Mike Quigley, *Fiscal Strategies for the Cook County Sheriff's Police*, August 2001
- Cook County Commissioner Mike Quigley, *Reinventing Cook County*, December 2003
- Cook County Commissioner Larry Suffredin, *Transition Team Final Report*, 2003/2004
- Cook County Commissioner Forrest Claypool, *Applying Technology to Improve Service and Reduce Costs in Cook County Government*, November 18, 2004.
- *Report of the Cook County Bureau of Health Services Review Committee*, October 2007
- Northwestern University, Feinberg School of Medicine, Institute for Healthcare Studies, *Protecting the Legacy of Caring for Vulnerable Populations: Essential Priorities for the Cook County Health Care System*, July 2006
- Cook County Board President Bobbie L. Steele, Cook County 2006 Transition Team Final Report, September 2006.
- Center for Tax and Budget Accountability, *Cook County's Revenue System is Structurally Unable to Support the Public Services it Provides*, September 2007.
- National Public Health and Hospital Institute, *Best Practices in Public Hospital Governance: Assessment of Proposals to Restructure the Cook County Bureau of Health Services*, May 2008
- Civic Federation, *Cook County Modernization Report: A Roadmap for Cook County Government*, October 25, 2010, p. 25.
- Toni Preckwinkle for Cook County Board President, *Policy Committee Reports*, November 3, 2010.

- Cook County Board President-Elect Transition Team, *Cook County Transition Report*, December 7, 2011.
- Cook County, *100 Day Report Card*, March 16, 2011.

APPENDIX C: RESPONSIBLE OFFICIALS

The Modernization Report recommendations list the County officials responsible for implementation. Below is a guide to the office holders referenced in the report.

Office	Elected Official
Chief Executive	
Board President	Toni Preckwinkle
Board of Commissioners	
Commissioner	Earlean Collins
Commissioner	Robert Steele
Commissioner	Jerry Butler
Commissioner	William M. Beavers
Commissioner	Deborah Sims
Commissioner	Joan Patricia Murphy
Commissioner	Jesus G. Garcia
Commissioner	Edwin Reyes
Commissioner	Peter N. Silvestri
Commissioner	Bridget Gainer
Commissioner	John P. Daley
Commissioner	John A. Fritchey
Commissioner	Larry Suffredin
Commissioner	Gregg Goslin
Commissioner	Timothy O. Schneider
Commissioner	Jeffrey R. Tobolski
Commissioner	Elizabeth Doody Gorman
Other Elected Officials	
Assessor	Joseph Berrios
Commissioner Board of Review	Michael Cabonargi
Commissioner Board of Review	Dan Patlak
Commissioner Board of Review	Larry R. Rogers, Jr.
County Clerk	David Orr
Chief Judge of the Circuit Court	Timothy C. Evans
Clerk of the Circuit Court	Dorothy Brown
Recorder of Deeds	Eugene Moore
Sheriff	Thomas Dart
State's Attorney	Anita Alvarez
Treasurer	Maria Pappas
Non-Elected Officials Referenced	
Chairman, Health System Board of Directors	Warren L. Batts
Chief Financial Officer	Tariq Malhance
Chief Information Officer	Greg Wass
Chief Executive Officer of the Health	William Foley
Pension Fund Executive Director	Daniel R Degnan
Public Defender	Abishi C. Cunningham Jr.
Purchasing Agent	Lourdes Coss