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FOREWORD

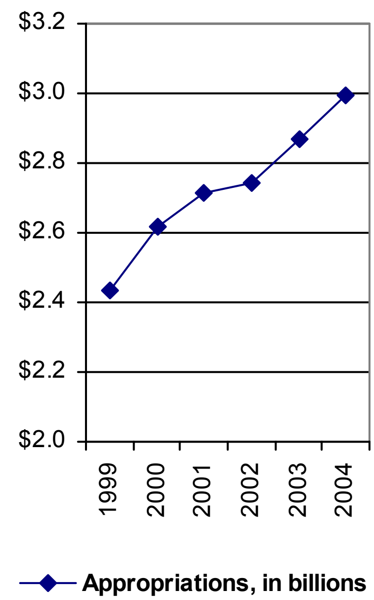
This report is divided into five sections: current revenues and tax revenues, reducing reliance on taxes and fees, reducing expenses, improving productivity, and creating sound financial policy.

Section 1, **Current Revenues and Tax Revenues,** presents the current financial picture of county government; Section 2, **Reducing Reliance on Taxes and Fees,** presents options for non-tax revenues; Section 3, **Reducing Expenses,** presents recommendations for reducing expenditures through privatization and the reduction of personnel expenses; Section 4, **Improving Productivity,** presents options for streamlining County services; and lastly, Section 5, **Creating Sound Financial Policy,** presents alternative budgeting options.

This report is **Part II** in a series of two reports on reinventing Cook County. **Part I** focused on county structure. These reports do not address structural reforms or budgetary recommendations for the Cook County Forest Preserve District. We have studied and will continue to study the Forest Preserve District in other documents.

EXECUTIVE SUMMARY

While the proposed FY04 Budget presents a picture of a balanced budget, it remains $123.9 million larger than last year.[1] In fact, the overall budget for Cook County has increased over 23 percent since 1999; an increase of almost $600 million[2]. Even without taking capital improvements into account, operating funds have increased by 27 percent; an increase of over $590 million since 1999.[3]



The administration has tried myriad belt tightening options that have led to some success. However, these options have been limited to Early Retirement Initiatives, a hiring freeze, and the elimination of vacant positions. We can go further.

While governments across the country have recently laid off hundreds of workers, employees of Cook County have continued to receive annual cost of living raises and step increases. Despite repeated requests from the administration, several departments have not held the line on spending. For FY04, only one elected official, the Cook County Treasurer, requested an appropriation at the previous year's funding level.

Previous budgets have been balanced through various new taxes and one-time revenue sources. The County approved a new parking tax to balance the FY04 budget and routines utilizes various one-time revenue sources[4], grants, and intergovernmental revenues to balance the budget. Without an 86 percent increase in Medicaid reimbursements from the state, the FY03 budget would have been over $88 million in the red.

This budgetary year is no exception. For FY04, the proposed solution to our budgetary woes lies in the creation of yet another new tax, an increase in the sales tax, and reliance on even more one-time revenue sources including a $54 million increase in Medicaid reimbursements.

Cook County government cannot continue to rely on a yearly infusion of intergovernmental revenues, grants, and new taxes to balance our budget. At some point, the administration must accept the limitations of our revenue sources and live within their means.

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[1] Cook County, *2004 Executive Budget Recommendation,* (Chicago: Cook County, 2003).
[2] Cook County, *2004;* Total Appropriations FY04 $2,993,965,107; FY99 Total Appropriations $2,434,065,107
[3] Cook County, *2004*; FY03 Total Appropriations $2,993,956,107; FY03 Operating Funds $2,774,740,949. FY99 Total Appropriations $2,434,009,960; FY99 Operating Funds $2,184,223,366
[4] One-time revenue sources include unstable revenue sources. Additional information can be found in Section 2 of this report, Reducing Reliance on Taxes and Fees.

Throughout this report, we will present opportunities for cost savings that will eliminate the necessity of the imposition of new taxes for the residents of Cook County. Not only does this report yield cost savings, but it seeks to bring a better, more efficient cooperation of government. Our mission is to make sure that the responsibilities and services of Cook County government are carried out in the most efficient manner possible.

Highlights include:

Reducing Reliance on Taxes and Fees

- Reducing Reliance on one-time revenue sources

Reducing Expenses

- Capping consultant expenses
- Minimizing overtime expenses
- Reducing insurance costs
- Reducing salary increases
- Eliminating ineffective crime prevention programs
- Eliminating county owned boot camp
- Privatizing custodial services

Improving Productivity

- Streamlining the County's purchasing system
- Conducting a countywide employee audit.

Creating Sound Fiscal Policies

- Utilizing zero-based budgeting
- Reducing mid-year transfers

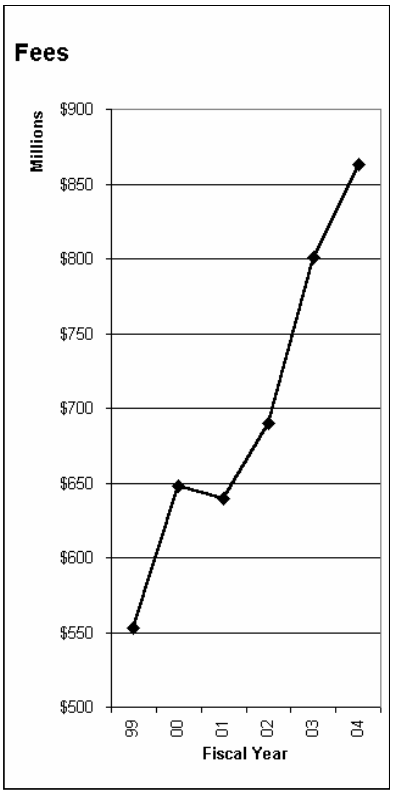
While these ideas may not all be new, or may not all be popular, they seek to promote a discussion and action plan for a new fiscal future for Cook County.

SECTION 1

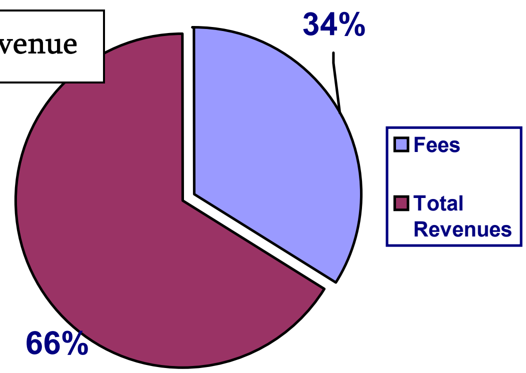
CURRENT REVENUE SOURCES

Current Revenue Sources

Cook County relies on five types of revenues: property taxes, home rule taxes, fees, intergovernmental funds, and miscellaneous revenues.



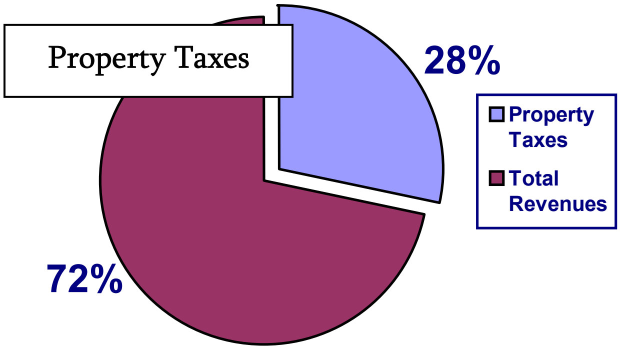
Fee Revenue



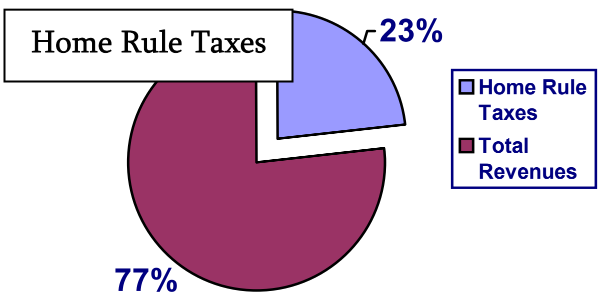
Since FY99, the county's dependence on fee revenue to balance the budget has increased 21%.

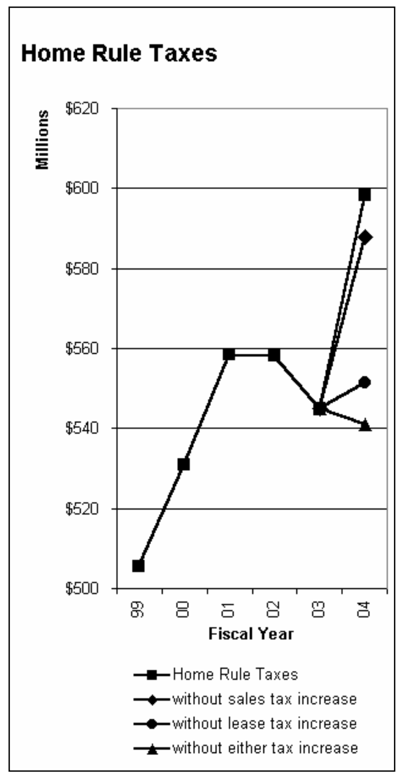
The majority of revenue for Cook County comes from fees. Cook County currently receives 34 percent ($862.6 million) of its revenue from fees. This is an increase over FY99, when fee revenue accounted for 27.45 percent of total revenues. This includes fees from county offices, patient fees, and cable television franchise tax. For FY04, fee revenue is projected to increase by approximately $107 million.

Patient fees include private payors and carriers and while technically not a fee, Medicare and Medicaid. For FY03 and FY04, there has been a substantial increase in the revenue received from the revised State Medicaid Plan and the Federal Medical Assistance Program. Since FY99, revenue from patient fees has increased by $132 million from Medicaid funds alone. FY03 yielded an $88 million increase and FY04 will yield an additional $54 million. These sources of revenue are not stable and are contingent upon state and federal funding.



Cook County currently receives 28 percent ($720.5 million) of its revenue from property taxes.[5] Over the past six years, the levy has increased less than 1 percent.





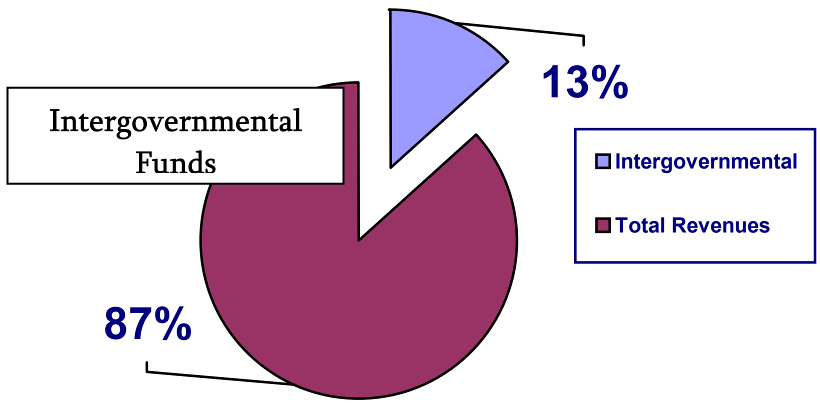
Without the creation of the new lease tax and the increase in the sales tax, revenue projections for FY04 were $4 million less than FY03 alone.

Cook County currently receives 23 percent ($598.4 million) of its revenue from home rule taxes. This includes the alcoholic beverage tax, cigarette tax, gas/diesel fuel tax, wheel tax, retail sale of motor vehicles tax, Cook County sales tax, use tax, amusement tax, and parking tax. Cook County regularly creates or expands its home rule taxes in order to balance its budget. This is exemplified by the creation of the parking tax in FY01 in order to fill its $19 million hole in the budget. For FY04, the proposed budget includes a .25 percent increase in the sales tax and the creation of a new 4 percent tax on leased goods.

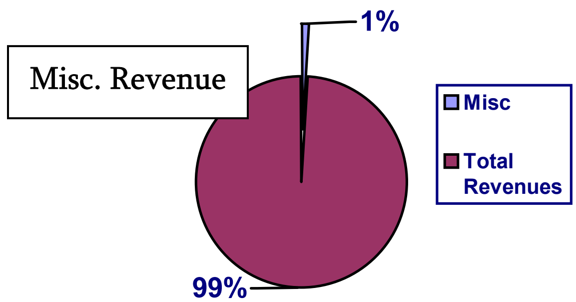
The increased taxation of goods within Cook County will eventually lead to a decrease in consumption; hence a decrease in revenue. For example, cigarette tax revenue is projected to decrease by $2 million and the amusement tax is projected to decrease by $1 million for FY04. Together, the revenue projections for the

[5] Cook County, *2004.*

cigarette tax, motor vehicle tax, gas tax and alcohol tax for FY04 are $16 million lower than FY99. Without the creation of these new revenue sources, the revenue projections for FY04 would be $4 million lower than last fiscal year alone.[6]



Cook County currently receives 13 percent ($341.7 million) of its revenue from intergovernmental funds. This includes the motor fuel tax, off-track betting commission, personal property replacement tax, retailers' and service occupation tax, state income derivate share, grants and reimbursements from other governments.



The County currently receives 1.2 percent ($31.1 million) of its revenues from miscellaneous sources. This includes bail bond forfeitures and bond proceeds (capital improvements).

[6] Based on projections for FY04 tax revenues minus the new lease tax and the proposed increase in the sales tax.

Fund Balance

In addition, the budget includes funding from the fund balance. The fund balance consists of funds that were appropriated the previous fiscal year but not spent in that fiscal year. For FY04, these funds are re-appropriated to balance the budget. For FY04 $200.5 million of the total budget includes resources from the fund balance.

SECTION 2

REDUCING RELIANCE ON TAXES AND FEES

REDUCING RELIANCE ON TAXES AND FEES

Currently, 56% of Cook County revenue is derived from taxes and fees. This dependence also leads to a reliance on taxpayers to alleviate the financial woes of our government through property taxes, consumption of goods, and the use of county services.

In order to decrease its reliance on property taxes, fee revenues, and one-time revenue sources, Cook County needs to diversify its revenue sources. As outlined above, home rule tax revenues are inconsistent and are likely to decrease. The solution may lie in the creation and utilization of non-tax and non-fee revenues.

Through the adoption of non-tax revenue sources, the County can have greater financial stability and provide services to the taxpayers of Cook County without constantly asking for additional funds to provide the same level of service.

REDUCE RELIANCE ON ONE-TIME REVENUE SOURCES.

According to the Government Officers Finance Association, the utilization of one-time revenue sources to meet current expenditure demands creates merely an illusion of financial stability.

For the past three fiscal years, Cook County has balanced its budget using numerous one-time revenue sources including estate tax revenues, withdrawals from the Torrens Fund, lawsuit settlements, resources from the fund balance, and Medicaid funds. For FY04, the budget contains an additional $32 million dollars from the Federal Medical Assistance Program. As indicated by President Stroger himself in his FY04 budget address, "I must caution everyone…this $32 million is a one-time revenue source and cannot be counted on in the future."[7] The Medicaid funding is set to sunset in July of 2005, leaving a potential revenue shortfall of $100 million. These sources of revenue are merely band-aids for our financial traumas.

These temporary boosts to our revenue are assets to our County's economy but should raise concern. Balancing one year's budget through one-time revenue sources will only put the next fiscal year in a more precarious financial situation. Not only will the next year's budget have to fund natural budgetary growth, including increasing health care costs, and compensation increases, but the budget will also have to fill holes left by one-time revenue sources. While we seek to maintain and improve County services, we cannot continually rely on an economic structure that could ultimately lead to tax increases after these revenue sources disappear. According to the Government Officers Finance Association, the utilization of one-time revenue sources to meet current expenditure demands creates merely an illusion of financial stability.[8]

Furthermore, the National Advisory Council on State and Local Budgeting developed budgetary guidelines endorsed by the Government Officers Finance Association. According to these guidelines, "a government should adopt a policy limiting the use of one-time revenues for ongoing expenditures."[9] It goes on to state that "...a government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generates revenues substantially higher or lower than projected. The plans should be publicly discussed and used in budget decision making."[10]

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[7] John H. Stroger, Jr., "2004 Cook County Executive Budget Recommendation" (speech, presented to the Cook County Board of Commissioners, October 30, 2003).
[8] Rowan A. Miranda and Ronald D. Picur, "CFO as Budget Magician: Fiscal Illusions in Public Finance," *Government Finance Review* 19, no. 2 (2003): 29-35.
[9] National Advisory Council on State and Local Budgeting, *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (Chicago, IL: Government Finance Officers Association, 1998), 21.
[10] National Advisory Council on State and Local Budgeting, 22.

Mesa County, Colorado formalized their policy: "to the extent feasible, one-time revenues will be applied toward one-time expenditures; they will not be used to finance ongoing programs. On going revenues should be equal to or exceed ongoing expenditures."[11]

The City of Bend, Oregon, has also adopted a similar policy, "one-time revenues will be used only for one-time expenditures. The City will avoid using temporary revenues to fund mainstream services."[12]

Cook County should immediately adopt a formalized policy for the expenditures of one-time revenue sources. This policy should prohibit the use of these funds except for one-time expenditures, paying down debt, or storing in our cash reserves.

COURSE OF ACTION: **Revision to policy/ procedures**. Cook County should institute a formal policy of utilizing one-time revenues only for one-time expenditures, paying down debt, or our cash reserves.

FISCAL IMPACT: Financial security in future budgetary years.

[11] Mesa County (CO), "Financial Management Policy." <http://www.gfoa.org/services/nacslb/PDFs/4_4MESA.PDF> [December 2, 2003].

[12] City of Bend (OR), "Fiscal Policies." <http://www.gfoa.org/services/nacslb/PDFs/4_4BEND.PDF> [December 2, 2003].

Preferred vendor contracts create the opportunity for non-tax revenue without substantial resources from Cook County.

UTILIZE ALTERNATIVE NON-TAX REVENUES.

Sponsorships and Preferred Vendors

There are numerous possibilities for alternative revenue sources including sponsorships, preferred vendor contracts, advertising, and foundation support.

Sponsorships

Many of our neighboring governments have implemented these initiatives. For example, the Lake County Forest Preserve District uses sponsorships to generate $100,000 to $200,000 in sponsorship revenue annually.[13] This includes advertising and events funded by sponsors. The City of Chicago Special Events Department routinely recruits large corporate sponsors. For the "Taste of Chicago," the City obtained $445,000 from U.S. Cellular for the right to sponsor the event.[14] Holiday events such as the Jingle Elf Parade and the Lincoln Park Zoo Lights also receive corporate sponsors. Finally, sponsorships are not limited to special events. Nationally, *"Adopt a Highway"* programs have also been successful revenue generators.

Preferred Vendors

Preferred vendor contracts create the opportunity for non-tax revenue without substantial resources from Cook County. Preferred vendor contracts range from preferred soft drink and concessions contracts to preferred credit card programs.

Many vendors provide free or reduced cost equipment to governments in exchange for the right to be the *official product provider*. For example, the Chicago Park District entered into an agreement with Royal Crown Cola (RC) to be its official soft drink provider. RC provides and maintains all vending machines and beverage concessions. In exchange, the Chicago Park District receives marketing revenue, better product pricing, and greater concession revenues. Its annual marketing revenue alone has increased from $150,000 to $600,000.[15] In Skokie, their park district received $45,000 annually for five years from Pepsi in addition to a commission from all Pepsi sales.[16]

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[13] Al Westerman (president, Lake County Forest Preserve District), Andrew S. Kimmel (director of environmental education & public affairs), and Steven Messerli, (executive director), in discussion with the author, Lake Forest, IL, January 30, 2001.

[14] For more information, see Appendix One.

[15] Colon 2001

[16] Steve Hartman (director, Skokie Park District), in discussion with author, Skokie, IL, January 25, 2001.

By incorporating sponsorships and preferred vendor contracts throughout Cook County there are numerous opportunities for generating revenue. For example, the County could have a preferred vendor for soft drinks and vending machines throughout all County facilities (i.e. hospitals, courthouses, office buildings, jail facilities). This would not only provide a service to county employees but would provide revenue enhancement to the county as well.

A representative from Cook County should meet with a municipal marketing company to assess the potential revenue opportunities for the County.

COURSE OF ACTION: Meet with a municipal marketing company to assess potential revenue opportunities for Cook County. Utilize sponsorships and preferred vendor contracts throughout Cook County.

FISCAL IMPACT: Depends on level of involvement.

SECTION 3

REDUCING EXPENSES

Reducing Expenses

Since FY00, expenditures have increased $435 million; an increase of 19 percent. While a great deal of the growth in expenditures is due to salaries and wages, even without incorporating salaries or benefits, expenses have still increased $80 million since FY00; an increase of 16 percent.[17]

Unless we want to continuously rely on the creation of new taxes and new fees and pray for one-time revenue sources, we must hold the line on or decrease expenditures. This can be accomplished through joint purchasing, capping consultant costs, and holding the line on personnel expenditures.

[17] Cook County, *Annual Appropriation Bill* (Chicago: Cook County, 2000-2003); Cook County, *2004.*

COURSE OF ACTION: COUNTY ORDINANCE. Join other local government purchasing alliances. Partner with City of Chicago and Forest Preserve District of Cook County for discounted purchases.

FISCAL IMPACT: Minimum of approximately $4 million. Cook County currently spends about $5.9 million on office supplies. A 61 percent reduction in just the cost of office supplies would yield an annual savings of $3.6 million. In addition, the utilization of joint purchasing will ultimately simplify the purchasing process.

Increase joint purchasing.

Across the country, governmental bodies are availing themselves of the increased buying power and decreased administrative costs that result from combined purchasing efforts. Joint purchasing offers the opportunity for significant savings through bulk purchasing. Collaborative agreements with other government entities incorporate discounts on products ranging from office paper to fuel to health care.

Local governments have utilized buying cooperatives for many years. These cooperatives can involve regional buying groups and the opportunity to piggyback on national contracts. Currently, the County utilizes joint purchasing with the Cook County Forest Preserve District for gasoline, copy paper, and some vehicle purchases. In addition, the County is part of a group of several other agencies jointly negotiating prescription drug coverage[18].

This is a good start, yet there are more opportunities for us to take advantage of. For example, the U.S. Communities Purchasing and Finance Agency, a non-profit corporation established by local governments, assists in reducing the cost of purchased goods for public agencies. Their alliance offers bulk volume discounts to any county, city, school district, special district, state, or public agency that wishes to participate. Currently over 7,000 agencies participate in joint purchasing contracts for furniture, office supplies, computer hardware, computer software, computer peripherals, and electrical products and related supplies. The program includes vendors for industrial supplies, office supplies, office furniture, computers, and janitorial supplies.[19] The office supply contract alone offers discounts of up to 61 percent lower than list price.[20]

Since 1997, the Government Purchasing Alliance has saved over $70 million for local governments. Additionally the State of Illinois offers a program for local government entities to purchase items from state contracts.

Cook County should expand its joint purchasing arrangements to include the City of Chicago and the State of Illinois. Join other local government purchasing alliances. Partner with City of Chicago and Forest Preserve District of Cook County for discounted purchases.

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[18] Ray Robin (Office of the Cook County Purchasing Agent), in discussion with the author, November 2003.
[19] U.S. Communities Purchasing and Finance Agency. <http://www.uscommunities.org> [December 2, 2003].
[20] NaCO. "Frequently Asked Questions." *NACO 2000 County News. (*5 December 2000).

Cap consultant expenses.

Fees for consultants and their related expenditures are creating a drain on Cook County's budget. For FY04, Cook County appropriated $38,843,257[21] for consultant expenses.

While consultants lend valuable assistance to Cook County and its agencies, a ceiling must be placed on their costs and expenditures. In March of 2000, Cook County passed a cap on the fees for outside attorneys hired by Cook County. In addition, the attorneys must present detailed bills. This has not led to a decrease in quality or service. A similar cap placed on consultant fees would have the same result.

All elected officials should work together to determine our legislative agenda with one set of County lobbyists. Departments should also be required to utilize County lobbyists as opposed to contracting with their own. Numerous departments contract out their own lobbyists. The County has lobbyists representing their interests in Springfield and Washington, DC.

In addition, numerous government entities have capped the expenditures of consultants throughout the course of their work. Lakeland, Florida has joined other local governments in limiting the per diem rates for meals, lodging, and travel to that of the per diem rates for its own employees[22]. Cook County should move to immediately place a cap on consultant costs in addition to a formalizing a policy that limits travel, lodging, and meal cost to those rates utilized by our employees.

Finally, consultant fees and their associated expenses should be itemized in the capital expenses budget so the true cost to the county can be quantified. We are aware that the true appropriations could be much higher, as many of these consultant fees and associated expenses are buried in the capital appropriations.

The County should decrease expenditures for consultants by capping fees for consultants, creating a policy limiting expenses incurred by consultants, requiring all departments to use same county lobbyists and requiring a breakdown of consultant expenditures for all capital expenditures.

COURSE OF ACTION: **County Ordinance.** Decrease expenditures for consultants by capping fees for consultants. Create policy limiting expenses incurred by consultants. Require all departments to use same County lobbyists. Require breakdown of consultant expenditures for all capital expenditures. **Budgetary Action:** Cut appropriations for consultants by 20 percent.

FISCAL IMPACT: For every 20 percent reduction in consultant appropriations the County would save $7.7 million annually.

[21] Including Professional and Managerial Services (acct 290); Technical Services not otherwise classified (acct 289); and Transportation Not Otherwise Classified (acct 219).

[22] Rick Rousos, "Lakeland Downsizes Consultants," *Lakeland (FL) Ledger,* January 31, 2003: B1.

According to the U.S. Bureau of Labor Statistics, the national average for overtime as a percentage of total compensation for state and local government workers was 0.4 percent …For Cook County, overtime is 1.47 percent of total compensation …If you compare actual expenditures in FY03 for overtime [for Cook County] the percentage of total compensation for FY03 [is] 4.22 percent.

Minimize Overtime Expenses.

The FY04 Executive Budget Recommendation includes an appropriation of approximately $29 million[23] for overtime. However, an analysis of past expenditures reveal that the final expenditures for the fiscal year will be dramatically higher. To illustrate, in FY03, the Board appropriated $31 million for overtime. Later, through the transfer process, the board adjusted this appropriation to $41 million. Despite the adjustment, $77 million was actually spent. The departments were able to circumvent the budgetary process by increasing their overtime appropriations by 146 percent. In fact, in most cases, the overtime funds were spent prior to board approval at the transfer of funds meeting.

These transfers are not one-time budgetary remedies and occur on a yearly basis. Based on last year's actual expenditures, the appropriation for FY04 of $29 million may end up with expenditures of $71 million. (For more information, see following section on transfer of funds).

As of June 2003, the national average for overtime as a percentage of total compensation for state and local government workers was 0.4 percent[24]. For Cook County, overtime is 1.47 percent of total compensation[25]. If you compare actual expenditures in FY03 for overtime (which were 146 percent greater than the original appropriation), the percentage of total compensation for FY03 jumps to 4.22 percent of total compensation.[26] Clearly, Cook County's annual appropriation for overtime for FY04 is above the national average.

There are numerous legitimate factors that lead to the use of overtime, including staffing shortages and emergency staffing needs. However, in many cases, overtime could be avoided. Overtime should not be used for padding salaries and to fill normal weekend and evening shifts, and other shift schedules.

According to a 1997 investigation conducted by the Chicago Tribune, numerous County Health employees more than doubled their salary through overtime in County health facilities. In addition, in an analysis conducted by the Bureau of Administration, the staffing schedule utilized by the Sheriff's Police Department increases, rather than decreases, the use of overtime.

[23] Cook County, *2003 Annual Appropriation Bill* (Chicago: Cook County, 2003).
[24] U.S. Bureau of Labor Statistics
[25] For FY04, recommended appropriation for employee costs: $1,948,746,442; salaries/wages: $1,419,214,763; overtime $28,680,096
[26] For FY03, adjusted appropriation for employee costs: $1,827,754,3432; salaries/wages: $1,361,005,831; total overtime expenses: $77,066,462.

Numerous employees are utilized for evening and weekend assignments as a part of their standard county schedule. The county should create positions in which employees are hired for non-traditional schedules thereby eliminating the use of employees typically on traditional schedules who would then need to use overtime to fulfill their job responsibilities.

In most cases, overtime could be avoided. According to the County Operations Review Team (CORT) Report, issued by the Administration of Cook County, a comprehensive review of compensatory time and overtime usage and polices could yield a savings of approximately $2.8 million.

The County should immediately reduce reliance on overtime and reduce overtime expenditures by 50 percent. In addition, the County should prevent County departments from circumventing the budgetary process through excessive mid-year transfers.

COURSE OF ACTION: **County Ordinance.** The County should immediately reduce reliance on overtime and reduce overtime expenditures by 50 percent. In addition, the County should eliminate departmental ability to circumvent the budgetary process through excessive mid-year transfers.

FISCAL IMPACT: A 50 percent reduction in overtime expenditures would save approximately $36 million.

Since 2000, the cost of health benefits per employee has increased 45 percent.

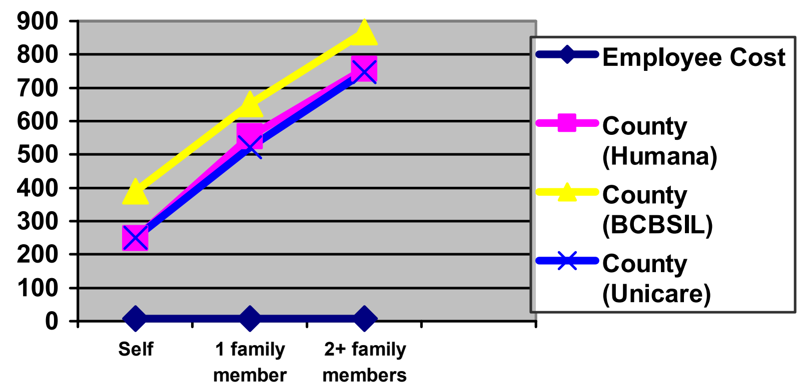
Insurance Contributions

Cook County offers its employees a comprehensive benefits package. While the benefits are advantageous for county employees, they fail to improve the financial condition of Cook County Government. **Since 2000, the cost of health benefits *per employee* has increased 45 percent.**[27]

While taking care of our employees must be a priority, this must be done in concert with fiscal responsibility. Employees should contribute more to their insurance costs through higher premiums and a minimal co-pay. In addition, the County must find ways to cut costs through joint purchasing of health insurance.

Increase employee contributions to health insurance.

Currently, County employees pay $8 per pay period for HMO coverage or 1.5 percent of their salary for Point of Service (POS) coverage.



For every Cook County employee that is enrolled in Humana HMO, the County pays a monthly premium of $264.78 per employee (with no enrolled family members); $570.98 per employee (with one enrolled family member) and $773.39 per employee (with two or more enrolled family members). If that employee instead enrolls in HMO Illinois, the cost for the employee (with no covered family members) jumps to $406.41, an increase of 53 percent.

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[27] Health Insurance Rates June 2000; based on coverage for an employee with single coverage enrolled in HMO Illinois. The premium is prior to the $8 per pay period employee contribution.

While the cost to the County varies greatly depending on the employees' choice, the county charges the employee the same regardless of the number of family members the employee has enrolled in our insurance program. While the employees' cost remains constant at $8 per pay period, the county's monthly premium increases by 192 percent.[28]

…for County employees, the monthly premium is the same regardless of the HMO that they choose to enroll in…There is a 30 percent difference in cost to Cook County [taxpayers].

In contrast, employees of the State of Illinois pay an average of $16 per pay period for managed care or an average of $21 per pay period for Point of Service (POS) coverage. For state employees, their contribution to their premium increases with the number of covered family members. For managed care, the premium per pay period jumps from $15.44 to $47.29 for one covered family member and to $64.36 for more than one covered family member. For POS service, the average employee premium per pay period jumps from $20.11 to $89.34 for an additional family member and to $103.19 for more than one covered family member.

For City of Chicago employees, their contribution to their monthly premium also increases with the number of covered family members. A single covered member pays $21.08 per month; if there is an additional covered family member, their contribution increases to $41.16, and two or more covered members increases the contribution to $47.60. If their monthly salary is between $30,001 and $89,999, their contribution is a percentage of their salary, increasing for each covered family member; if the employee makes more than $90,000 per year, their monthly contribution is $83.63, $128.48, and $160.23 respectively.

Secondly, for County employees, the monthly premium is the same regardless of the HMO that they choose to enroll in. County employees can choose between three HMO plans, each with dramatically different costs to Cook County taxpayers. There is a 30 percent difference in cost to Cook County between an employee enrolling in Humana HMO and HMO Illinois.[29] There is no difference between what an employee *pays* to enroll in Humana HMO or HMO Illinois. State employees are offered two choices: managed care or HMO coverage. City employees are offered two HMO choices, 1 PPO, and 1 POS plan.

According to Cook County Cost Control Task Force, the general practice for employers is that employee contributions cover at least 20 percent of the premium cost for employee coverage and 30

[28] Based on employee enrollment in Humana HMO; for employee (with no enrolled family members) $262.78 with 2 family members $773.39. The premium is prior to the $8 per pay period employee contribution.

[29] Based on employee with no enrolled family members: Humana HMO $264.78; HMO Illinois $406.41.

COURSE OF ACTION: **County Ordinance.** Increase employee's contributions to their benefits through an increase in monthly premiums and minimal co-pays for medical services. Create tiered structure for monthly co-pays dependent upon number of covered family members.

FISCAL IMPACT: $2-$6 million annually.

percent for family coverage. The average employee contribution for Cook County employees is 4 percent for employee coverage and 2 percent for family coverage.[30] The taxpayer cost for a county employee with no covered family members is over $4,000 per year; for an employee with two or more family members, the taxpayer cost is $10,417.32 per year[31]. The taxpayer cost for a state employee is $8,695.92 per year.

Institute co-pays for medical treatment.

According to the Cook County Cost Control Task Force, the County would save another 1 percent to 3 percent of health insurance costs if employees made higher co-payments for certain medical services.[32] Based on the current annual cost of health insurance to Cook County of $198 million, a higher co-pay would yield an annual savings of approximately $2-$6 million.[33]

The implementation of the $3 co-pay for non-union employees beginning in fiscal year 2003, resulted in a 0.05 percent reduction in premium costs for Cook County. It is estimated that a $10 co-pay would decrease our costs approximately 3-3.5 percent[34]. The City of Chicago has a co-pay of $10 for HMO services.

As county employees, we all enjoy these benefits. However, as the fiscal situation of Cook County begins to darken we may have to face choices between minimal co-pays and employee layoffs.

The County should increase employee's contributions to their benefits through an increase in monthly premiums and minimal co-pays for medical services and create a tiered structure for monthly co-pays dependent upon number of covered family members.

[30] Based on single enrollment or enrollment plus 2 family members in HMO Illinois.
[31] Based on enrollment in HMO Illinois
[32] Civic Federation and Chicagoland Chamber of Commerce, *Cook County Cost Control Task Force Report* (Chicago: Civic Federation, June 2001): 42.
[33] Cook County, *2003*; Hospital Insurance Costs $188,151,111; Dental Insurance Costs $5,954,709; Vision Insurance $4,005,466.
[34] Roland Calia (Civic Federation), correspondence with author.

Eliminate employee health insurance buyouts.

Currently a Cook County employee who opts out of County health benefits receives an annual payment of $800 from Cook County. Each year the County spends over $1.2 million buying out Cook County employees.[35] Neither the City of Chicago, the State of Illinois, nor the Federal government offers this employee benefit.

The County should eliminate the annual county health benefit buyout for an annual savings of $1.2 million.

COURSE OF ACTION: **County Ordinance.** Eliminate annual county health benefit buyouts.

FISCAL IMPACT: $1.2 million annually.

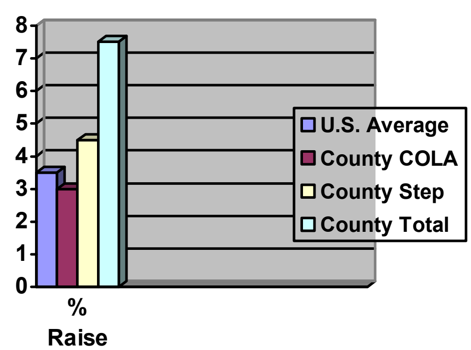
[35] Cook County, *2004.* Total cost of Employee Health Insurance Allotment $1227,565.

Bring County salaries in line with national average.

The average yearly step increase is around 4.5 percent. This is in addition to the cost of living adjustments (COLAS) that average around 3 percent. The total annual increase of 7.5 percent is clearly higher than the national average for the U.S. workforce of 3.5 percent.

Currently County employees receive a yearly step increase in addition to annual or semi-annual cost of living adjustments. The average yearly step increase is around 4.5 percent. This is in addition to the cost of living adjustments (COLAS) that average around 3 percent. The total annual increase of 7.5 percent is clearly higher than the national average for the U.S. workforce of 3.5 percent.[36]

Each 1 percent COLA costs taxpayers approximately $13 million per year. The annual step increases cost taxpayers approximately $26 million per year.[37] Therefore, during an average year with step increases and a 3 percent COLA, taxpayers are paying an addition $65 million per year for wage increases alone.



There are numerous options to reduce taxpayer costs for personnel. These options include:

1) Offering a COLA <u>or</u> a step increase;
2) Offering step increases only every two years;
3) Changing step increases to merit based in lieu of anniversary based raises; or
4) Changing COLAs to end of year lump sum payments.

COURSE OF ACTION: Implement one or more of the above options.

FISCAL IMPACT: $1.5 -$39 million annually depending on options selected.

[36] World at Work, "Increases to Salary Budgets Lowest in 30 Years," news release, June 24, 2003. < http://www.worldatwork.org/pressroom/generic/html/press-sbs0304.html> [December 2, 2003].

[37] Thomas Glaser (Chief Financial Officer, Cook County), letter to Roland Calia (Civic Federation).

Option 1. The elimination of step increases would save $26 million annually. Based on the average COLA, its elimination would save $39 million annually.

Option 2. According to the CORT report, requiring two years at each step would save $7-$8 million annually.

Option 3. According to the CORT report, converting anniversary increases to merit based raises would save $11 million annually.

Option 4. Finally, changing COLAs to lump sum payments at the end of the year would save $1.5 million annually.

The current fiscal condition of the County merits a choice between raises or new taxes.

Illinois DARE officials predict that half of the state's schools that offer the program have dropped it and others are considering similar moves. Chicago Ridge Police Chief Tim Balderman told a Chicago Tribune reporter that after 13 years of DARE, his department actually saw an increase in drug arrests, all DARE graduates.

Eliminate ineffective crime prevention programs.

Nationally, public safety agencies have implemented many crime prevention programs, especially targeted to juveniles. The Cook County Sheriff's Office is no exception. They have initiated a plethora of prevention-based initiatives including five gang awareness and education programs (e.g. G.R.E.A.T. Gang Resistance Education and Training), two drug awareness and education programs (e.g. D.A.R.E. Drug Awareness Resistance Education), three mentoring programs (e.g. DARE Mentor Program), two violence/abuse programs (e.g. Loves Me..Loves Me Not), six special events programs (e.g. Law Enforcement Explorer Program for Boy Scouts), three conflict resolution/mediation programs (e.g. Conflict Resolution), and three adult education programs (e.g. DARE Parent Component Program).

While prevention is a key component in reducing crime, not all of the preventive programs run by Cook County Sheriff's Office are effective.

A key example of ineffective prevention programming is the Drug Abuse Resistance Education program, most commonly referred to as D.A.R.E[38]. It is the most widely implemented youth drug prevention program in the world (U.S. Surgeon General 2001); eighty percent of U.S. School Districts currently use the program (Kalb 2001).

Nationally, D.A.R.E. receives enormous financial support, yet there is little evidence of program effectiveness; their pervasiveness throughout American schools is not a record of success. The program's evaluation reveals that children participating in the program are as likely as non-participants to use drugs (see also U.S. Surgeon General 2001; University of Illinois at Chicago, 1998; Research Triangle Institute; Aniskiewicz, 1994; Kalb 2001; Anderson 2000; National Research Council 2001—report prepared for the White House). The Department of Education prohibits usage of grant funds for the D.A.R.E. program because it has not proven its effectiveness (Sack 2001).

Analysis released by the National Academy of Sciences in February 2001 not only reiterated these results, but researchers revealed that students who completed the D.A.R.E. program used

[38] DARE was founded in 1983 by former Los Angeles Police Chief Darryl Gates, who offered DARE as one of two alternatives (the other was "casual drug users should be shot"). Source: Dan Gardner, "Why Drug Education Doesn't Work: Anti-Drug Programs Make Adults Feel Good, but All They're Doing is Digging a Giant Credibility Hole," *Ottawa (Canada) Citizen,* November 25, 2002.

drugs at even *slightly higher rates* than their peers who had not completed the program (Sack 2001). "Illinois DARE officials predict that half of the state's schools that offer the program have dropped it and others are considering similar moves. Chicago Ridge Police Chief Tim Balderman told a *Chicago Tribune* reporter that after 13 years of DARE, his department actually saw an increase in drug arrests, all DARE graduates.[39]"

In addition to consistently poor performance evaluations, there is also the high opportunity cost of students in the drug prevention classes in lieu of math or English classes to consider.[40] Each hour spent in programs that are not necessarily effective, pulls students from education in core subject matter. In response, numerous school districts and counties have pulled the program. Former Illinois Governor George Ryan cut over $1 million in state funding for DARE workbooks and officer training before leaving office.[41]

Despite the good intentions of the program, resources must not be allocated for a program that has been proven ineffective. All preventive programs offered by Cook County government must be reviewed quantitatively and qualitatively on an annual basis to justify continued expenditures.

In addition, it is questionable whether the county should offer prevention programs in incorporated Cook County. Municipalities, such as the City of Chicago, offer preventive programming and education through Chicago's Alternative Policing Strategy (CAPS).

From a fiscal perspective, it is impossible to ascertain the costs of preventive programs and education from the Cook County Annual Appropriation Bill. Three distinct divisions maintain the programs: Court Services, the Police Department, and Community Services. The cost of salaries for preventive programs in the Court Services Division is at least $1,031,926;[42] the cost in the other divisions is unknown. In addition to the preventive programs offered by the Sheriff, there are also programs offered by the States Attorney and the Chief Judge. As

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[39] "DARE America at 20," editorial, *Chicago Tribune,* February 1, 2003.

[40] David Boyum and Mark A. R. Kleiman, "Breaking the Drug-Crime Link," *Public Interest,* Summer 2003.

[41] William Presecky, "Sheriff Tries to Save DARE; Ramsey Pressing Kane County for $15,000 in Funds," *Chicago Tribune,* October 17, 2003, west final edition.

[42] The Court Services Division, Office of Community Based Prevention Programs appropriates $567,217 for salaries for 12 employees. The budget indicates that 22.5 employees are involved in the D.A.R.E. program. Calculation based on this appropriation plus the additional 10.5 FTE positions allocated to the D.A.R.E. program (based on an average salary of Deputy Sheriffs in the Community Based Prevention Program Division of $44,258). Cost does not include insurance, and other benefits or programmatic costs.

COURSE OF ACTION:
COUNTY ORDINANCE.
Eliminate non-effective preventive programs. Streamline all preventive programs under one county department. Eliminate use of overtime funds for preventive programs.

FISCAL IMPACT: A minimum of $1 million in addition to efficiency gains through program consolidation.

the President stated in his FY04 budget address, "we must carefully investigate where we are duplicating services and make an objective judgment as to what alternative serves the client best." [43] The decentralization of these programs allows for duplicative programming. It may be more cost effective to centralize all preventive programming into one department.

In addition, there should be no overtime funds used for preventive or drug treatment programming.

Cook County should eliminate all non-effective preventive programs. In addition, all preventive programs should be streamlined under one department. Preventive programs also should not utilize overtime funds.

[43] John H. Stroger, Jr. FY04 Executive Budget Recommendation Address to County Board

Eliminate County owned boot camp.

Historically, Cook County Jail inmates who receive sentences of one year or longer become the responsibility of the Illinois Department of Corrections (IDOC) and serve the remainder of their term in a state prison. Yet in 1997, Cook County started a boot camp intended as a ***prison*** alternative for non-violent offenders facing sentences of longer than one year.

The Cook County Boot Camp (CCBC) is a strict, military-style program consisting of two phases, lasting a total of about one year. Phase I of the program is completed on site at a complex adjacent to the Cook County Department of Corrections and lasts for eighteen weeks. Phase II consists of an eight-month after care, supervision and follow-up program. Correctional officers provide security and act as drill sergeants during the incarceration phase, and then oversee the electronic monitoring throughout the day reporting phase. There is a total capacity of 240 inmates in Phase I of the program at any one time.[44]

The program is intended to change the inmate's pattern of behavior and reduce his chances of returning to prison through a regimen of strict discipline, skills training, education, alcohol/substance abuse treatment and intensive supervision. While the Boot Camp program has realized a good deal of success in achieving this end, the population rehabilitated by the CCBC are individuals whose sentences would have been served in state prison facilities, or state boot camp, not the Cook County Jail. Thus, the Cook County Department of Corrections is voluntarily housing and providing services to prisoners who are the state's responsibility.

Moreover, the IDOC runs two boot camps of its own throughout Illinois with large numbers of available beds. The qualifications for acceptance, operation philosophy, duration, and aftercare programs in the IDOC are nearly identical to the county's. While the combined total capacity of the two IDOC camps is 440, the current combined occupancy is 393, an occupancy rate of approximately 89 percent.[45] *The state recently closed their boot camp in Green County due to low occupancy rates*.

The costs of operating the Cook County Boot Camp are conservatively estimated at $8 million annually.[46] While neither the objective of the county program nor its effectiveness is being questioned, its duplicative nature must be. The county is

"We entered into the boot camp project nearly ten years ago with a commitment from Springfield that they would share the expenses for this program. These are convicted criminals and therefore the responsibility of the state. Yet, these costs continue to be shouldered solely by the taxpayers of Cook County."
—Cook County Board President John H. Stroger, Jr.

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[44] John Howard Association for Prison Reform, "Jail Conditions at the CCDOC and Compliance with the Consent Decree," (Chicago: John Howard Association, 2001).

[45] Illinois DOC Public Information Office, September 16, 2003

[46] **FY 2003 Annual Budget Recommendations.** Total appropriations for boot camp are $7,962,120.

COURSE OF ACTION:
STATE LEGISLATION.
Eliminate boot camp.
Utilize state owned facilities.

FISCAL IMPACT: $8 million annually[1]

allocating large financial resources to provide an unnecessary service. The inmates eligible for the County Boot Camp could participate in a virtually identical program managed and financed by the state. While the service provided by the program to the inmate and to society at large would remain the same, Cook County taxpayers could avert a cost of at least $8 million a year.

According to the President's budget address, "we entered into the boot camp project nearly ten years ago with a commitment from Springfield that they would share the expenses for this program. These are convicted criminals and therefore the responsibility of the state. Yet, these costs continue to be shouldered solely by the taxpayers of Cook County."[47] According to the CORT report, if the County negotiated an operational agreement with the state of Illinois to reimburse costs associated with the boot camp or in the alternative returned jurisdictional responsibility of the boot camp to the state, there would be an annual savings of $6-7 million.

In addition, the boot camp may also be overstaffed. According to an Industrial Engineer report from the Bureau of Administration, the boot camp is overstaffed by six positions. If the county retains control of the boot camp there are possible cost savings. The elimination of these positions would yield a savings of $580,000 annually.[48]

Cook County should either eliminate the boot camp or seek state funding for its continued use. If the camp is continued to be used, overall staffing should be reduced by a minimum of 6 positions.

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[47] Stroger, Jr.
[48] Bureau of Administration Industrial Engineer Report Boot Camp staffing

Increase use of home monitoring

Since May 1, 2001, six programs have been utilized for alternative release programs: I-Bonds (Administrative Mandatory Furlough), Cook County Detention Alternatives, and the MOMs Program. In addition, the Office of the Sheriff operates the Electronic Monitoring Program, the Day Reporting Program, the Pre-Release Center, a residential treatment program for male inmates, and the Sheriff operates the Sheriff's Work Alternative Program (SWAP).

In order to alleviate overcrowding and decrease costs of inmates in the correctional system, the Office of the Sheriff should increase its use of alternative sentencing.

COURSE OF ACTION:
DOC should increase its use of alternative sentencing.

FISCAL IMPACT: Eventual savings of $11-$32 million annually.

Despite the success of alternative sentencing in reducing overcrowding, the number of inmates offered alternative sentencing since 1990 has actually decreased. According to the Bureau of Administration, their data "suggests that the DOC is housing a large number of low bail minimum and medium classified inmates that would be eligible for I-Bonds or for non-traditional incarceration programs, if such programs existed."[49] In 2001, there were an average or 2,073 inmates who *might* be eligible for alternative sentencing. If an additional 2,073 inmates participated in alternative sentencing, rather than being housed in the jail, it could save $32,535,735 per year. [50]

The Sheriff of Cook County has noted that an increase of funding could yield to more participants in home monitoring programs. Consider the following exchange from a meeting of the Finance Committee of the Cook County Board:

> "*Mr. Sheahan*: We are very flexible. If we get more money I would put more people out.
>
> *Commissioner Quigley*: I don't mean more money. I am talking about poor people who don't have a phone or are in custody for a thousand dollars.
>
> *Mr. Sheahan*: We have put people out now that don't have a phone. We have a commitment that they have a phone at their house. What we have don't – and we do have wireless phones now – we have approximately

[49] Cook County Bureau of Administration, "CORT Project List Follow-up Reports" (Chicago: Cook County, 2001), 81.
[50] Based on the current cost of $58 per day to house an inmate and $15 per day for alternative monitoring.

> fifteen or twenty that are on a pilot program that we are putting out. I would put out as many people as I could, as long as we can monitor them and make sure that they are not a threat to society.[51]"

While the alternative sentencing is not a cure all for controlling prison population, there remains a sizeable number of minimum risk defendants that could receive alternative sentencing but currently do not. The DOC should once again increase the number of inmates receiving alternative sentencing in a manner that is reflective of the jail's population. By doing so, the DOC can take one important step toward reducing numbers in a vastly overcrowded jail.

[51] Board of Commissioners of Cook County Finance Committee, March 12, 2003.

VEHICLES

Create countywide fleet management policy.

Currently, the County lacks both a comprehensive vehicle inventory and a fleet management policy. This makes it very difficult to assess how efficiently vehicles are used and whether the size of the fleet is consistent with the County's needs. It also prevents the County from developing a plan for the cost-efficient repair and replacement of vehicles. In all probability, the County owns more vehicles than are necessary and purchases new vehicles when the repair of old ones would be more cost-effective, and vice versa. In addition to the possible financial benefits, the development of a fleet management policy could have environmental benefits as well.

The first step in creating a fleet management policy is a complete inventory of the County's vehicles. The inventory should include an identification of vehicles by model year, make, model, engine size, vehicle identification number, drive train type, rated vehicle weight and classification, type of fuel used, fuel economy, number of annual miles driven, vehicle function, usage, repair record, current condition, and any other information deemed relevant (e.g. additional information on emissions if environmental goals are part of a fleet management program).

With this information entered into a database, the County would finally be able to see its entire fleet at a glance. Currently it is difficult to ascertain the exact number of vehicles in the county. It would be far easier to develop a replacement schedule and to obtain economies of scale when purchasing new vehicles. In addition, the County would be able to set fleet-wide goals for better fuel efficiency and lower emissions, which would be met by the gradual transition to "greener vehicles." A more efficient fleet would require less fuel, thereby saving the County even more money.

Furthermore, it may be possible to use the County's vehicles more efficiently through scheduling improvements. At present, individual vehicles used for part of the day may sit idle the rest of the time.

Through careful scheduling, a single vehicle could be used by multiple individuals during the day (for example, if one employee needed it during the morning, one in early afternoon, and one in late afternoon).

The County could reduce the size of its fleet, thereby reducing the cost of repair and replacement as well. This idea, known as "car

COURSE OF ACTION: Create countywide fleet management policy.

FISCAL IMPACT: Increased efficiency and future savings through a reduction in the number of automobiles purchased.

sharing," has been popular in Europe for some time among individuals and is beginning to catch on in the United States as well. Typically, drivers reserve a car through an online reservation system and retrieve it at the appointed time from one of many designated locations. When the car needs refueling, the driver uses a credit card kept in the car that can only be used to purchase gasoline. A similar system, employed by the County, would enable careful tracking of vehicle usage and even the billing of individual departments for the cost of using pool vehicles.

Many local governments around the country have adopted fleet management policies for economic and environmental reasons. The list includes Denver, Seattle, San Francisco, Los Angeles, Madison (WI), Ann Arbor (MI), and Alachua County, Florida (Gainesville).[52] In addition, other cities across the country are working with commercial car sharing companies to manage their fleets. Among the cities using this strategy are Boston, Cambridge, Brookline, and Somerville in Massachusetts; Arlington and Alexandria in Virginia; Princeton and Hoboken in New Jersey; and Portland, Oregon.[53]

Cook County should immediately create a countywide fleet management policy.

[52] International Council for Local Environmental Initiatives, "Local Government Examples," http://www.greenfleets.org/LocalGovernmentExamples.html.
[53] Zipcar, Inc., "Zipcar: Government: Working with Zipcar," http://www.zipcar.com/govt.

Privatize vehicle maintenance.

In November of 1998, the Sheriff's Vehicle Services Department began an internal maintenance program for all vehicles in the Sheriff's fleet.[54] The Sheriff operates the internal maintenance program from a building the Sheriff built on county-owned property without approval from the Board of Commissioners.

For FY04, the County is recommending appropriation of over $2.5 million for supplies and materials needed to maintain, repair, and operate automotive equipment.[55] Additionally, for FY04, the county is recommending appropriation of over $540,335 for vehicle maintenance salaries in addition to the $189,122 appropriated for vehicle administration. This figure does not include the costs of health, dental, vision insurance, pensions, etc. Thus, total appropriation for labor and supplies add up to over $3 million for FY04. This is in addition to the costs to operate vehicles; a recommendation of $2.3 million.

While the costs of vehicle services are high at commercial service stations, in the past, a national chain offered the county a contract proposal to provide oil changes and other vehicle maintenance services at a per vehicle cost well below market price. Further inquires could yield additional offers.

The upkeep of a large fleet of vehicles such as the Sheriff's is sure to entail sizeable costs, but the expenses of the building, a fourteen-person staff, and all maintenance supplies are too great to make it a cost efficient operation. Even if several dollars were saved on the repair of every vehicle that is brought in for service, it would take tens of thousands of vehicles to offset the $540,335 first costs spent in salaries alone. When considering the over $3 million total price tag for maintenance, in conjunction with the approximately 1300[56] vehicles utilized by the Sheriff's department, the average cost of maintenance per car totals over $2,307 for one year. Clearly, more than 1,300 cars are serviced as some cars require maintenance and repair multiple times during the year, but the per car average does not give an indication that the internal maintenance program is producing significant savings. Simply put, although the cost of vehicle maintenance could previously be determined, since the change to an in house operation, the per vehicle costs can no longer be assessed. As a result, it is impossible to determine whether in-house maintenance is cost-effective or not.

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[54]Cook County Sheriff's Office, "Cook County Sheriff's Office, Ten Years of Progress," (Chicago: Cook County: n.d.).

[55] FY 2003 Executive Budget Recommendations

[56] Based on FY 2000 Executive Budget Recommendations, the figure for FY 2004 was not included in the budget recommendations.

COURSE OF ACTION: Privatize vehicle maintenance. Close Sheriff's vehicle maintenance facility and redeploy staff.

FISCAL IMPACT: Currently the savings are impossible to determine as the office of the sheriff has not demonstrated the per vehicle cost of maintenance. However, based on the average maintenance cost of over $2,000 per vehicle, savings would be expected.

The Sheriff's Office should demonstrate the per vehicle cost of maintenance or return this service to the private sector. Furthermore, in the future, the Sheriff should not be permitted to use unauthorized County funds or build on County property without Board approval.

Privatization

Privatize all custodial services.

The Cook County Sheriff administers currently custodial services for the County building, 1320 South Michigan Avenue, the Criminal Courts Administration Building, the Markham Mini-Civic Center, the Skokie Mini-Civic Center, the Bridgeview Mini-Civic Center, and the Rolling Meadows Mini-Civic Center.

Privatization of janitorial services would provide the opportunity to more efficiently allocate personnel resources, thereby reducing labor costs and saving taxpayer dollars. According to a review of custodial services conducted by the Bureau of Administration, personnel costs account for the majority of the appropriations for janitorial services. According to a 1999 analysis, the costs for maintenance of County offices and courthouses average $3.13 per square foot. The average for local governments that contract out custodial services is $1.55 per square foot.

More recent data yields the same trends. According to the City of Chicago, they spend $87,000 per month cleaning their half of the City Hall/County Building and the two adjoining pedways. The annual cost of janitorial services of $1,044,000 includes all supplies and materials. The recommended appropriation for the salaries for the janitorial services alone is $1,927,625[57]. This is not including benefits, recycling services, or supplies and materials. If you include the cost of the supervisory and clerical staff, this appropriation increases to $2,016,276. The City of Chicago is paying less than half the cost for the same building plus two pedways. The County Operations Review Team (CORT)[58] report estimated that privatization of custodial services throughout county facilities could save between $3-$5 million.

In addition, the Sheriff's Custodial Department currently handles the recycling collection at nine county facilities. The Sheriff's employees collect, separate, and deliver the recyclables—at present, only paper—to a private company. This company then finds a market for the recyclables, providing the county with a share of the revenue. However, certain companies are capable of managing the entire procedure from beginning to end. In its losing bid for the current recycling contract, the County's previous recycling contractor offered to provide the County with automated internal collection equipment. The president of that firm indicated that improved internal collection could result in a cost reduction of up to 25 percent. It should be

According to the City of Chicago, they spend $87,000 per month cleaning their half of the City Hall/County Building…an annual cost of $1,044,000, including supplies and materials. The recommended appropriation for Cook County for the salaries for the janitorial services for the same building is $1,927,625…. If you include the cost of the supervisory and clerical staff, this appropriation increases to $2,016,276.

57 Does not include appropriations for window washers or elevator operators.

58 Led by President John Stroger, Jr.

COURSE OF ACTION:
Reduce cost of custodial services by privatizing custodial services throughout county facilities. Outsource recycling at all county facilities.

FISCAL IMPACT: $3-$5

noted that at present, the County does not collect aluminum, plastic, or glass to be recycled. Unlike paper, collection of these recyclables would cost the County rather than generate revenue.

The county should reduce cost of custodial services by privatizing custodial services. In addition recycling at all county facilities should be outsourced.

Privatize service of process.

At present, plaintiffs who file civil lawsuits in the Circuit Court of Cook County must pay the Sheriff a fee for service of the summons and complaint upon the defendant. Generally, the fee for service of a summons in a civil lawsuit is $23.00 per defendant plus 40 cents per mile. A Sheriff's deputy attempts to serve the summons upon the defendants by a certain date. By most anecdotal accounts, the Sheriff's success rate is poor—less than fifty percent (his actual success rate is not known or reported). If the Sheriff fails to serve, the plaintiff must make another trip to court to request permission to appoint a special process server. Once the court grants permission, the plaintiff hires a private firm to serve the defendant and pays another fee in addition to the non-refundable fee previously paid to the Sheriff. This additional step delays the progress of many court proceedings and contributes to the backlog of cases in the circuit courts.

More troubling is the apparent disparity between the cost of providing service of process and the fee charged for the service. According to a 1996 cost of service study compiled for the County administration, the cost per "summons" (the term used in the study) was $37.89. With a fee set at $23.00, the net loss per summons was $14.89. When multiplied by the number of summons served in that study year—465,602—the total net loss to the County in providing service of process was more than $6.9 million. Unfortunately, the methodology used in that study could not be determined. However, calculations using figures from the FY 2004 Executive Budget Recommendation and Final Revenue Estimate yielded a similar result. Salaries in the Civil Process Division of the Court Services Division totaled over $12.5 million, which represents 18.3 percent of the total salary expenditure for the Court Services Division (excluding Administration). Adding that amount to a proportionate share of Administration salaries and a proportionate share of overhead expenditures equals approximately $18.1 million for FY 2004. With the projected number of writs and evictions to be served at 373,000, the cost per writ/eviction is about $48.62. The Sheriff's Office is projected to take in more than $9.9 million in fees in FY 2004. Assuming all of them are derived from service of process or similar actions—a generous assumption—each writ/eviction brings in $26.56. That means each writ/eviction results in a net loss of approximately $22.06. In reality, the figure is probably lower. Nevertheless, according to this conservative estimate, the County faces a total net loss of over $8.2 million from service of process in FY 2004.

COURSE OF ACTION:
Raise service of process fee to $50 to cover costs or privatize service.

FISCAL IMPACT: Est. $8.2 million.

While the accepted practice is to allow the Sheriff's Office to make the first attempt at service, the state statute regulating service of process does not state that this must be the initial course of action. The law could simply be amended so that a plaintiff has the ability to hire a private process server from the beginning. By instituting this alternative, the plaintiff would expedite the process of bringing a defendant to court. This would also reduce court costs and relieve the county's overloaded judicial system.

Furthermore, if the Sheriff's Office desires to continue to play a role in serving process, the department should record and disclose the success rate. When a fee-for-service system is in place, the public should have the ability to know the effectiveness of the service they are paying for. If the service is not being delivered in an effective manner, a litigant could hire a private entity which they feel will return a better value for the fee enacted. This would allow the party to circumvent the losses in both time and money that are often incurred with the current system.

The County could make service of process a self-funding activity by raising the fee to approximately $50, which would result in an estimated annual savings of more than $8.2 million. Alternatively, service of process could be privatized, which would result in similar savings.

Courts

Increase use of court diversion.

Cook County currently has a limited mail-in procedure for traffic violations. If an offender has a clean driving record, he or she may request court supervision by mailing in an agreement to attend traffic safety school, paying for tuition and payment of the full fine. If the offender selects this option, the judge enters the guilty plea, but does not enter judgment on the plea. The offender may attend traffic school in person or on-line.

After successful completion of traffic school, the court enters an order of supervision on the offender's record. After a designated time period, if the offender has no new offenses, the order is removed from their record. If an offender has a poor driving record, he/she is not eligible for supervision, and a traffic conviction will appear on his/her driving record. While the Cook County mail-in program has been successful, the link between the mail-in program and traffic school actually serves as a deterrent to participation in the mail-in procedure.

Previously, the Illinois Supreme Court Rules[59[1]] allowed circuit courts to implement limited mail-in programs for violations that resulted in traffic school. In 2001, however, the Illinois Supreme Court modified this rule. Now, under the Rules, circuit courts can authorize mail-in procedures without the requirement of traffic school. However, Cook County has not modified its mail-in requirements since this rule change.

Comparison with DuPage County

DuPage County follows a more extensive mail-in program in which an offender with a clean driving record may obtain court supervision without appearing in court or attending traffic safety school. DuPage County's Program is a way to divert cases involving offenders with clean driving from growing court calls.

In DuPage, local police officers issue a traffic citation. The traffic citation does not include a court date, but does include instructions on how the offender can pay a fine. If payment is not received within a prescribed time, the court computer generates a court date. The offender has a prescribed time prior to the court date to make payment by mail or in person. At the time the offender makes payment, the offender signs an affidavit to the court attesting that he or she is eligible for court supervision. The court then runs a computer check on the offender's driving record to determine if there

[59[1]] Illinois Supreme Court Rule 529(c)

COURSE OF ACTION: Encourage diversion in Cook County Court System by creating action plan to divert more cases from the Cook County Court system.

FISCAL IMPACT: Within one year after the start of the program in 1989, DuPage County eliminated one traffic court entirely, despite the fact that their caseload had grown. As of 1999, Dupage County diverts 62 percent of all traffic tickets from court. In addition, DuPage is scheduled to implement an internet-based ticket payment system in early 2004, which will further reduce their overhead and free up personnel for other duties.

has been any conviction or court supervision granted to the offender for a moving violation within the 12 months preceding the violation. If not, the court grants the offender supervision, without requiring traffic safety school. If the computer check reveals a conviction, the offender's plea of guilty is accepted, a conviction is entered and supervision is denied. A notice is generated and mailed or given to the offender informing him/her that court supervision has been denied and a conviction is being sent to the Secretary of State. They then have a set timeframe during which to request a court hearing on the denial of supervision.

Court supervision is imposed on the offender for a certain period of time and the offender is advised that unless he/she receives notice to the contrary, he/she does not have to attend court. The computer then monitors the driver. If the offender receives another violation, the computer issues a Notice to Revoke Supervision and a Notice of Motion form. These notices are sent to the prosecuting attorney, who then determines whether or not the court should hold a hearing to determine if the supervision should be revoked. If the offender goes without another citation for the designated period, the computer generates a listing to the Presiding Judge for the purpose of terminating court supervision.

Cook County should create an action plan to divert more cases from the Cook County Court system as is done in DuPage County. By doing so, the County would reduce costs by saving county capital costs on the court and salaries for personnel (i.e., the staffing of the court on bailiffs, court clerks, etc.); reduce inconvenience to offenders by eliminating need for offenders to miss work or arrange for child-care; reduce court time of police officers (as testifying witnesses) resulting in budget savings; reduce time spent on routine cases, allowing judges and attorneys to concentrate on cases that require judicial determination.

Encourage court diversion in Cook County Court System by creating action plan to divert more cases from the Cook County Court system.

Increase use of Video Bond Court.

The Chief Judge installed a video system at the criminal courts that allows defendants to remain in their own buildings for their bond hearings. This allows the sheriffs to reduce their staffing needs, because fewer sheriffs are needed to transport the defendants to these usually short, cursory proceedings. Currently, however, the video bond court is only saving the County minimal transportation costs because the system is only being used within 26th Street. The system currently saves the sheriffs the trouble of transporting the defendants up several flights of stairs within the criminal court building.

The Chief Judge should develop action plan to increase the use of video bond court in other county court facilities. The county will save the cost of transporting the defendants between sites for their bond hearings.

COURSE OF ACTION: STATE LEGISLATION. Chief Judge should develop action plan to increase the use of video bond court in other county court facilities.

FISCAL IMPACT: Unknown. The County will save the cost of transporting the defendants between sites for their bond hearings. annually.[1]

SECTION 4

IMPROVING PRODUCTIVITY

IMPROVING PRODUCTIVITY

While improving on a gradual basis, the County still functions in a bloated, inefficient manner. From an outdated purchasing process to a mismatched employee classification system, the structure of County processes and hiring slow down the daily functions of the government.

The Civic Federation's 2001 Cost Control Task Force Report noted that the Board reviews large purchases (i.e. above $25,000) no fewer than four times. The Board "[a]pproves the procurement in the budget, gives permission to advertise, approves the bid, and approves payment to the vendor—even though the County had previously approved the contract and received the goods or services and is therefore legally obligated to pay."

STREAMLINE AND IMPROVE THE COUNTY'S PURCHASING SYSTEM.

The Cook County Board made a major improvement to its purchasing system in early 2003. At that time, the Board increased the dollar amount required for Board approval from $10,000 to $25,000. The Board also raised the amount of petty cash that departments can spend, without prior approval from Purchasing or going out to bid, from $250 to $750.

These changes alleviate several major problems with the County's purchasing process. First, the new $25,000 threshold means fewer purchases will require Board review. With fewer items to review, purchasing matters will take up less of the Board's time, allowing it to devote more time to discussions of public policy. Similarly, the increase in the petty cash amount from $250 to $750 will reduce the flow of paperwork into the Purchasing Agent's office and allow individual departments to obtain small-amount goods and services much more quickly and easily. The higher thresholds also should reduce the practice of splitting requisitions, in which purchases are divided among two or more requisitions to avoid triggering a review (depending on the amount, either by the Purchasing Agent or the Board).

The purchasing system should be designed so that the level of review required is roughly proportionate to the size of the request. Of course, if other aspects of the purchasing process were improved and the process itself was not as delay-prone, requisition splitting would be even less frequent.

Despite recent improvements, the purchasing process is still overly complex and time-consuming. While the new $25,000 threshold for triggering Board review of purchases means that fewer purchases will need to come before the Board, it does not address the fact that there are simply too many points in the process where Board review is necessary. The Civic Federation's 2001 *Cost Control Task Force Report* noted that the Board reviews large purchases (i.e. above $25,000) no fewer than four times. The Board "[a]pproves the procurement in the budget, gives permission to advertise, approves the bid, and approves payment to the vendor—even though the County had previously approved the contract and received the goods or services and is therefore legally obligated to pay."[60] Usually these reviews pass through the Finance Committee as well, adding yet more layers of review and slowing down the process. Most likely, the Board could dispense with approving departments' requests to advertise and to pay the vendor after delivery of the goods or services

[60] Civic Federation, 46.

without significantly impacting the integrity of the purchasing process.

According to the Civic Federation, a number of other problems need to be studied and corrected. First, the County does not systematically collect information on a variety of topics related to purchasing: length of the process, cost-benefit information, historical data, vendor performance, and market prices, to name a few. Also, the Civic Federation noted that County departments are frequently unhappy about the quality of products purchased, "attributing problems to the 'low bidder' requirement."[61] Some governments have begun awarding contracts based using a "best value" standard rather than simply choosing the lowest bidder. Government reinvention experts David Osborne and Peter Plastrik identify a number of ways by which governments identify the "best value" contract. They include determining the full life-cycle cost of a product, including disposal or recycling costs, and using performance-based contracts to ensure quality.[62]

The Board should also continue to raise purchasing thresholds periodically, when appropriate. In the past, there have been proposals to increase them to amounts far greater than the present level. For example, in 1968 the Citizens Committee on Cook County Government suggested raising threshold for Board review from $2,500 to $25,000, which is the equivalent of more than $133,000 today.[63] In addition, evidence suggests that the County's petty cash threshold is relatively low by comparison to other county governments. According to a 2000 study of 27 county governments by the Center for Advanced Purchasing Studies, the median petty cash limit was $1,000. (However, the County does seem to be in line with its peers when it comes to large purchases; the median amount requiring a formal sealed bid was $25,000.[64]) Inflation will gradually chip away at the purchasing power of $750 and $25,000, and the Board should periodically raise the thresholds to reflect this fact. Furthermore, as the Citizens Committee noted in 1968, "Dollar controls of this type [thresholds] are more often theoretical than real. Actual control is dependent upon adequate internal procedures."[65] The Board could give individual departments greater independence to administer their

[61] Civic Federation, 48.
[62] David Osborne and Peter Plastrik, *The Reinventor's Fieldbook* (San Francisco: Jossey-Bass, 2000), 419.
[63] Citizens Committee on Cook County Government, *A Summary Report on Cook County Government* (Chicago: Citizens Committee on Cook County Government, April 1968), 15;
[64] Center for Advanced Purchasing Studies, "Benchmarking Study for State/County Governments" (Tempe, AZ: CAPS Research/Institute for Supply Management, 2001).
[65] Citizens Committee on Cook County Government, 15.

COURSE OF ACTION:
The County's purchasing system should be streamlined and improved. The county should utilize on-line bidding and purchasing.

FISCAL IMPACT: Gains in productivity through a streamlined process.

budgets and to make purchases. Rather than multiple, time-consuming reviews of purchases, audits could be used to ensure that the purchasing process functions properly. Under such a system, only the largest purchases would need to be approved by the Board.

Further increases to the purchasing thresholds and a more decentralized approach to the purchasing process would reduce the workload on the Purchasing Agent, thereby allowing the Purchasing Agent to do his/her work with fewer employees. However, there might be a need for additional auditors, which would reduce the net savings.

Additional savings could be realized by allowing the purchasing agent to e-mail notifications to potential bidders and conduct online auctions.

Since the mid-1990's most states and localities, such as San Diego and Orange Counties have been posting their bid and contract information on the Internet and many also contact vendors via email to alert them to opportunities as well as accept the bids back from vendors.

In a 2001 study conducted by the International City County Management Association and Public Technology, Inc. found that almost 53% of the respondent cities and counties make purchases online, 33% post requests for bids or proposals online, and of those that did not post requests for bids or proposals online as of 2001, 70% planned to do so.

Direct cost savings aside, there are other significant benefits—less wasted time, increased productivity, higher levels of satisfaction—from an improved process. Electronic purchasing also yields environmental benefits. For both financial and non-financial reasons, **the County's purchasing system should be streamlined and improved. In addition, on-line bidding/purchasing should be implemented.**

Modernize the County's hiring process.

The County's hiring process is slow, inefficient, complex, costly—and in desperate need of a major overhaul based on the principles of streamlining and decentralization.

At present, hiring is controlled by the Bureau of Human Resources. County departments are unable to make personnel decisions without receiving approval from the Bureau. The Civic Federation has identified several significant problems resulting from the highly centralized nature of the hiring process. First, Human Resources may screen and rank the initial applications without "a good understanding of the class of positions," which means that managers waste time interviewing unqualified applicants and may never receive applications from more qualified candidates who were incorrectly excluded by Human Resources. Second, under court-ordered rules designed to prevent political hiring, the hiring department must consider at least seven applicants for each open position. Third, the slowness of the process leads many qualified applicants to withdraw their applications, because they found another job in the meantime or simply due to frustration.

The County's problems are not unique among public sector organizations. Indeed, the Civic Federation's findings mirror the National Partnership for Reinventing Government's criticisms of the federal hiring process. Its report on human resources said that the federal system is unaccountable, unable to meet applicants' needs, restricts competition, and is too complex.

The shortcomings in the County's hiring process impose significant costs on the County. When departments are short-staffed because vacancies remain unfilled for months, employees must often work overtime (at significant cost to the County—see the recommendation discussing overtime). In addition, the time managers must spend interviewing unqualified candidates could be used more productively. Time is also wasted when the hiring process must start from scratch because qualified candidates drop out. Finally, the County may end up hiring less qualified and less productive employees because the length of the process reduces the pool of candidates.

Responsibility for a substantial portion of the hiring process should be delegated to individual departments. Specifically, as recommended by the Civic Federation, departments should be allowed to accept and process applications. This will allow those with direct knowledge of the precise needs of the department and requirements for the position to evaluate the applicants. Department managers will then be in a position to interview the most qualified applicants. The amount of time wasted by interviewing unqualified

COURSE OF ACTION: COUNTY ORDINANCE. Decentralize hiring and routine Human Resource functions.

FISCAL IMPACT: Gains in productivity.

candidates, and in shuffling paper between Human Resources and the hiring department, will shrink. In addition, a more efficient hiring process will fill vacant positions more quickly, reducing the overtime expenses resulting from those vacancies.

The Bureau of Human Resources should adopt a supporting role, training department managers in evaluation and interviewing techniques and monitoring the departments for compliance with hiring regulations. However, those regulations should be scrutinized intensely, with an eye towards eliminating all but the most essential ones.

The County can no longer afford such a costly, inefficient hiring process. **County leaders must summon the political will to streamline and decentralize the hiring process as soon as possible.**

Conduct countywide employee audit and revise job classifications to reflect actual duties.

The County's current job classification system is a patchwork of inaccurate, outdated information, and it should be revised thoroughly. Several titles are almost certainly obsolete. Many others are vague, providing very little information about the duties associated with the position.

The Civic Federation identified a number of specific problems with the job classification system in its 2001 *Cook County Cost Control Task Force Report.* First, it pointed out that titles like "stenographer" are decades out-of-date. In addition, it is unclear whether the grade structure accurately reflects the responsibilities and workload of each position. As a result of inaccurate classifications, the County may be allocating its spending on human resources inefficiently. Furthermore, less than 5 percent of all reclassification requests are approved, and Human Resources does not explain why requests are rejected. This lack of information harms employee morale and prevents departments from improving their arguments for reclassification. Finally, reclassifications only occur once a year (during the budget season), meaning that departments may have to wait months to request necessary reclassifications. The annual nature of the reclassifications also generates a huge quantity of paperwork in a very short period of time.

The Civic Federation proposes a number of measures to improve job classifications. First, the entire system should be reviewed to ensure that classifications are accurate. Second, a classification review cycle should be established, so that the accuracy of each job classification is examined in turn during a set period. This would eliminate the need for less frequent but far more massive comprehensive reviews. Additionally, Human Resources should share the reasons behind each rejected reclassification request with the affected departments.

The disorganized state of the job classification system led the Civic Federation to conclude that "[c]ompensation issues have largely been ignored [in the classification process] and, therefore, it is probably that compensation dollars are not being spent most effectively."[66]

[66] Civic Federation, 41.

COURSE OF ACTION: COUNTY ORDINANCE. The County should undertake a major reform of its job classification system. In addition, the County should contract with an independent firm to conduct an employee audit to ensure all employees are working within their job classifications.

FISCAL IMPACT: Gains in productivity by having employees in positions for which they are best qualified. In addition, an audit would reveal which vacant positions should be eliminated yielding substantial cost savings in salaries and wages and benefits.

The Civic Federation's recommendations would make changes within the existing classification system, but there are alternative approaches which would change the system entirely. Many governments have adopted a more flexible system in which employees are grouped into broad pay ranges. Managers have the ability to adjust employee pay within those bands as needed, either to reflect changes in job responsibilities or to reward employees for good performance. The County should consider converting its existing, rigid classification system to the more flexible pay-band model. As a report from former Vice President Gore's well-known government reinvention project, the National Performance Review (NPR) said, "The government should have the flexibility to make changes in the classification criteria in response to changes in the work world without going through the legislative process"—or in the case of the County, the annual budget process.[67] The NPR report also pointed out that a rigid classification system minimizes the relationship between performance and pay. It argues that "…removing the classification criteria from the law would also help reinforce the idea that, like private sector employees, federal employees do not have a statutory entitlement to a precise grade or pay level."[68] Along with other human resources management changes, the adoption of a more flexible classification system could have a significant, positive effect on County employees' performance and satisfaction.

The County should undertake a major reform of its job classification system, beginning with changes to the existing, highly structured system and moving in the near future to a more flexible system. In addition, the County should hire an *outside firm* to insure that all employees are working within that classification.

[67] "Reinventing Human Resource Management," National Performance Review, September 2003. <http://govinfo.library.unt.edu/npr/library/reports/hrm02.html> [19 November 2003].
[68] "Reinventing Human Resource Management."

SECTION 5

CREATING SOUND FINANCIAL POLICY

CREATING SOUND FINANCIAL POLICY

Recently, the County and the Forest Preserve District have lurched from budget crisis to budget crisis and depended heavily on one-time revenue sources to solve their budget problems. There seems to be little consideration of the impact of budgetary decisions beyond the end of the fiscal year. This shortsighted, crisis-management style of budgeting is inefficient and ineffective.

The following section presents options for presenting a more accurate, and more fiscally responsible budget for Cook County.

Apply aspects of zero-based budgeting to the County's budget process.

COURSE OF ACTION: STATE LEGISLATION. Implement annual zero based management review.

FISCAL IMPACT: San Diego claims that for every dollar spend on the zero based management review process, it has received more than $120 in cumulative direct savings for spendable benefits."[1]

Zero-based budgeting is a process in which all departments must justify their programs on an annual basis. For each program, the department heads must show the various levels of service that could be attained through each level of funding including the consequences of eliminating that service. An example of this process is below[69]:

Program Costs	Continuation of the Current Level of Funding	Assuming a 10% Reduction in Funding	Assuming a 25% Reduction in Funding
Personal Services	$	$	$
Supplies	$	$	$
Contractual Services	$	$	$
Capital Outlays	$	$	$
TOTALS	$	$	$
Please describe the desired results of this program:			
Please list any alternatives and describe them:			
How and when will the results be accomplished:			
For each level of service, please clearly identify the results of operating at that level of funding.			
What would be the result of totally eliminating this program?			

If cutbacks are necessary, the departments can begin cutbacks with the lowest priority program. While time consuming, this program provides a through review of all programs on an annual basis. This prevents the elimination of priority programs.

A less time consuming option would be to adopt a budgetary procedure similar to that of the City of San Diego. In lieu of an annual zero based budget, they conduct zero based management review every five years. These reviews are conducted by teams of business leaders from within the community and determine: "(1) if current operations are within the scope of city goals and purposes, (2) whether they should be done at all, (3) whether they should be done

[69] Office of the (TX) Comptroller, *Budget Manual for Texas Cities* (Austin, TX: Office of the Comptroller, May 2001), 89-90.

they way they are, and (4) whether they should be done where they are currently being done."

Studies are an average of 6 weeks in length, requiring approximately four hours per week from all governmental staff involved. Directors of Departments are given a chance to respond to the review and report on implementation progress annually. According to the City of San Diego, "both the city manager and City Council have been strong advocates for the program. In addition, the city has sought to recruit high-profile business leaders who are eager to share their expertise."[70] Most importantly, for every dollar spent on the review process, San Diego receives more than $120 in cumulative direct savings.

This type of budget would require a transitional period. Aspects of zero based budgeting could be gradually incorporated into our budget with the intent of utilizing zero based management review every few years.

Cook County should immediately works towards implementing annual zero based management review.

[70] Christensen, McElravy, Miranda

Adopt a multi-year rolling budget.

COURSE OF ACTION: COUNTY ORDINANCE. County should be required to submit long term budgeting forecasting.

FISCAL IMPACT: Future financial stability.

The adoption of long-term budget forecasting would most significantly improve the County's overall budget process. Appropriations would continue to be made only for the coming fiscal year, but budget documents would include projections for two to ten years beyond that, so that the future impact of present-day financial choices would be visible. The risk of a budgetary disaster would be much lower if long-term projections were available; the County would have a chance to craft a solution well in advance.

As government reinvention experts David Osborne and Peter Plastrik point out, however, budget forecasting must be made a central part of the budgeting process. They note that governments accomplish this integration either by including the forecasts as part of the budget document itself or requiring the submittal of a separate forecasting report at the same time as the budget is submitted. Under such a system, it would be very difficult for county officials to draft a budget that put the county in a weakened condition down the road; County Board members, the press, and ordinary citizens would be able to see for themselves that disaster was looming.[71]

Problems with the financial situation of Cook County lie not just with revenue sources but presentation of information and long-range planning. Not only have critics of Cook County government long indicated that the County fails to engage in long-range planning, numerous focus groups convened by the County have yielded the same conclusions. *Cook County, The Sleeping Giant* indicated that, "Cook county government has been in a crisis mode for at least a decade" due to their lack of planning, lack of coordination and lack of accountability.[72] Later reports reached the same conclusions. A 1968 Task Force Report indicated that "under current practices, long range planning generally is neglected, and the future implications of current actions are obscure. The budget is made in cumbersome detail but does not clearly state major objectives or their relative urgency. Spending by departments tends to be self-perpetuating. Appropriations are not related to measurable workloads or performance. Fixed assets are not accounted for and capital needs are rarely provided for systematically."[73]

The County should be required to submit long term budgeting forecasting.

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[71] David Osborne and Peter Plastrik, *The Reinventor's Fieldbook* (San Francisco: Jossey-Bass, 2000), 54-55.

[72] Jeanne P. Quinn, *Cook County: The Sleeping Giant* (Chicago: UIC Office of Publications Services, 1990), 2.

[73] League of Women Voters of Cook County,*Cook County Government:The Inter-relationship of Its Offices* (Chicago: LWV of Cook County,1973), 13.

Adopt truth-in-budgeting practices.

In addition, the actual budget and the budget process do not offer a comprehensive picture of expenditures and needs of County departments. The budget does not reflect the true operational costs of our County services, departments, and programs, and fails to provide performance or operational cost budgeting.

PERFORMANCE BASED BUDGETING/OUTCOME MANAGEMENT BASED BUDGET

A better option, in order to provide a more accurate budget, would be to have a performance budget or an outcome management based budget. Traditional budgeting techniques detail the cost of each resource by individual line-item. For example, to determine the cost of the DARE program, you must quantify the costs of labor, benefits, utilities and materials relating to the program, overtime expenditures, and capital expenses. However, based on the current constructs of the budget, you would be unable to quantify the cost of an individual program.[74] The DARE program, like many other county programs and services, is immersed in an entire department and it is impossible to quantify true program costs.[75]

A **performance budget** is organized by programs, objectives, and tasks. Line items are broken down within each task. This type of budget directly relates all costs, including labor and materials, to results. In addition, managers of programs have the flexibility to redistribute resources within the program as long as they are maintaining approved service levels.[76]

Another type of reform would be the creation of an **outcome management budget**. This type of budget is focused on the end product, not the process. In the case of Cook County, the Cook County Board of Commissioners and the administration would set priorities for Cook County prior to the creation of the budget. After the end results are determined, a budget would be created.

The City of Sunnyvale, California has had great success with these two budgetary models. For example, their City Council no longer votes on line items for their budget, but on service levels. For example, the City Council does not dictate to the Department of Public Works that they must spend $1 million on reconstructing highways. It defines the results. The Council indicates the level at which they want the road surface maintained and the appropriate timeframe for completion. The Department of Public Works indicates

[74] City of Sunnyvale, CA
[75] City of Sunnyvale, CA
[76] City of Sunnyvale, CA

how much the requested results would cost and the council decides how much they want to spend to achieve those results. The City Council thus, in effect, has control over outcomes. According to Tom Lewcock, the City Manager for the City of Sunnyvale,

> "They do not focus on line items here. There is no approval process for hiring people around here; management does it. The essential thing the council does is set policy: what level of service, how many units are going to be produced, and at what unit cost. What they have done is give us freedom over management of city affairs, in return for them getting true policy control. Our council feels so good that they are in fact the policy leaders that they don't feel it's a risk at all to let managers manage.(Osborne 144-145)."

COURSE OF ACTION: COUNTY ORDINANCE. Offer a performance based budget.

FISCAL IMPACT: Efficiency gains.

The County should offer a performance based budget.

The County should perform long-term budget forecasting.

If the County does in fact perform long-term budget forecasting, it is kept within the administration, out of public view. However, long-term forecasts should not only be available to the County Board, but also to the public. Scrutiny of the county's finances would force County leaders to deal with potential crises before they befall the County. For too long, officials have swept bad news under the rug—or worse, if no long-term planning is being done at all, simply had no awareness of future problems.

The most distressing fact is not that the County lacks any meaningful long-term budget forecasting, but that the County was urged to undertake such planning at least as early as 1968 and has done nothing since that time, with one notable exception. The 1968 report of the Citizens Committee on Cook County Government noted that "[u]nder current practice, long-range planning generally is neglected, and the future implications of current actions are obscure….Significantly greater emphasis should be placed on long-range financial planning as much as ten years ahead."[77] A 1990 report written by former County Board member Jeanne Quinn and a 1991 report by Cathy Colson and former Chicago alderman and UIC political science professor Dick Simpson both urged the County to begin making long-term budget forecasts. Colson and Simpson's report observed that "[m]ost individuals and families do not operate their personal finances without some type of long-range planning, whether it is projecting in how many years they will be able to afford to buy their own home or setting up a fund for children's college education. The Chicago-area governments should likewise not operate without long-range financial issue documents and discussions of priorities."[78]

Under County Board President Richard Phelan, the County's Bureau of Finance did in fact prepare a five-year financial plan. President Phelan's 1994 transition report to incoming President John Stroger recommended that the County continue to make five-year plans, but there is no publicly available evidence that such planning continued.[79]

[77] Citizens Committee on Cook County Government, *A Summary Report on Cook County Government* (Chicago: Citizens Committee on Cook County Government, April 1968), 11.
[78] Dick Simpson and Cathy Colton, *Citizen Control of Local Government: Budgets and Taxes* (Chicago: UIC Office of Publications Services, 1991), 5-6.
[79] Phelan Administration, "Transition Report," (Chicago: Office of the President of the Board of Commissioners of Cook County, Dec. 1994), 56.

COURSE OF ACTION: COUNTY ORDINANCE. Offer a performance based budget.

FISCAL IMPACT: Efficiency gains.

Unfortunately, 35 years after the Citizens Committee suggested long-term planning, the County still has not adopted the practice. In the meantime, long-term forecasting has become even more important. Federal and state financial support has shrunk, the cost of the county's main responsibilities in health care and public safety continues to outpace inflation, and the political climate is even more hostile to tax increases than it was in the 1960s. This combination is a recipe for budgetary disaster, but the County has been lulled into a false sense of security in recent years due to the unprecedented economic growth of the 1990s and last-minute, one-time revenue injections that rescue the budget each year.

This year, the bill for the County's habitual budgetary near-sightedness finally has arrived, at least to some small degree. The past few years, potential budget crises have been averted due to one-time revenue injections, but the 2004 situation is so grim that the administration's proposed budget includes tax increases. Public reaction to the proposal has been swift and highly negative. Could the present predicament have been prevented if long-term budget forecasting were in place? It is impossible to know, but at least the County could have had additional time to stave off disaster. As government reinvention experts David Osborne and Peter Plastrik note, "To steer effectively, those at the helm need to be able to see what's coming. If the speed at which future events are approaching exceeds their ability to perceive change and react, they risk suffering the same fate as the *Titanic*."[80]

Osborne and Plastrik make several recommendations about long-term budget forecasting that Cook County would be wise to adopt:

- "Make long-term forecasts central to the budget process."
- "Publish the long-term frameworks, in user-friendly form, to encourage public scrutiny."
- "Make sure your forecasts have credibility."
- "Make the assumptions behind all forecasts clear."
- "Don't use inflation-adjusted financial figures in projecting future spending."[81]

Though it is unreasonable to expect the County to institute these recommendations immediately, the County should adopt long-term budget forecasting as soon as possible and make it a central part of the budget process.

[80] David Osborne and Peter Plastrik, *The Reinventor's Fieldbook* (San Francisco: Jossey-Bass, 2000), 54.
[81] Osborne and Plastrik, 55-56.

For FY03, the entire Bureau of Health increased its budget for overtime by 242 percent over the amount originally approved by the Board of Commissioners; in fact, the Bureau of Health spent an additional $34.5 million after funds were transferred.

Reduce mid-year fund transfers.

Each year, departments within Cook County experience mid-year budget shortfalls. These are remedied by transfers from other line items within their departmental budget at the annual transfer of funds meeting. Since FY98, $225,779,436[82] has been transferred within departments at the annual transfer of funds meeting. For FY03, 1.34 percent of the overall Cook County Budget ($38,559,479) was transferred.

The majority of surplus funds come from Account 110—*Salaries and Wages*. Since 1998, departments have transferred a total of $101,282,668[83] from *Salaries and Wages*. Salary surpluses can be attributable to a variety of causes, including unpaid leave, disciplinary actions resulting in pay deductions, and new personnel at lower salaries. Most commonly, however, these salary surpluses are attributable to unfilled positions.

According to the Department of Budget and Management Services, there are 1932.6 vacant positions in the budget. Of these positions, 502.8 positions are created by the Early Retirement Incentive (ERI), leaving an estimated net turnover of 1,391 positions. These positions (after subtracting the ERI positions) are appropriated at $57,545,079[84]. These vacant positions will result in surplus funds that can later be transferred to overtime or other budgetary items within the department.

Through mid year transfers, departments are able to *increase* their overtime appropriations dramatically over the amount originally allocated to them by the Board of Commissioners at budget time. For FY03, the entire Bureau of Health increased its budget for overtime by 242 percent over the amount originally approved by the Board of Commissioners; in fact, the Bureau of Health spent an additional $34.5 million *after* funds were transferred.

Mid-year transfers can be a valuable part of the budgeting process. Departments often experience temporary shortfalls that can be remedied through intradepartmental transfer. However, what interferes with normal budgetary operations are recurring transfers within the same funds of the same departments every year. These trends make it *appear* that some funds purposefully contain a surplus so that a planned mid-year transfer to other accounts can appear. In effect, an additional contingency fund is created.

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[82] FY03 Transfer of Funds 6 Year History

[83] FY98-FY02 Transfer of Funds Requests. Total for 98-02: $97,587,052
FY02: $16,692,944; FY01: $19,309,777; FY00: $22,222,697; FY99: $17,097,418; FY98: $22,264,216

[84] Memo from Grace Colbert Director of Budget and Management Services, November 14, 2003.

Departments must work within their approved budgets. These surplus funds are diminishing the budgetary authority of the Board of Commissioners by giving departments the ability to circumvent the budgetary process by creating mid-year shortfalls requiring mid-year transfers after the funds have already been spent. Departments should not be allowed to expend funds prior to the mid-year budget transfer hearing unless it is an emergency expenditure. **Just a 20 percent reduction in mid-year budgetary transfers would provide an annual savings of $7.7 million.**[85]

The County should reduce mid-year budgetary transfers. In addition, departments should not be able to spend funds in excess of funding approved by the Cook County Board of Commissioners.

COURSE OF ACTION: STATE LEGISLATION. Reduce mid-year budgetary transfers. Prevent expenditures in excess of funding approved by the Cook County Board of Commissioners.

FISCAL IMPACT: A 20 percent reduction in mid-year budgetary transfers would provide an annual savings of $7.7 million.

[85] Annually $38,559,479 is transferred through mid-year transfers. A 20 percent reduction would yield an annual savings of $7,711,895.80.