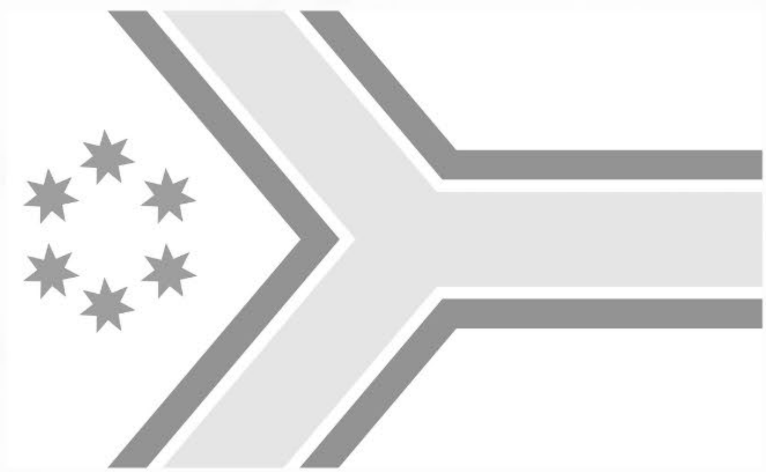
THE CIVIC FEDERATION

COOK COUNTY PROPOSES RESPONSIBLE $9.89 BILLION FY2025 BUDGET THAT DOES NOT INCLUDE TAX OR FEE INCREASES



NOVEMBER 7, 2024

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EXECUTIVE SUMMARY

Cook County government is proposing a FY2025 budget for all funds of $9.89 billion. This is an 8.3% increase from the $9.14 billion budget adopted the prior year. The budget includes no increases to taxes or fees.

The budget closes a General Fund gap that was forecast at $218.2 million.[1] The General Fund includes the Corporate Fund and the Public Safety Fund, but not the Health Fund or Special Purpose Funds. The deficit was closed with higher than anticipated natural revenue growth, the use of General Fund balance and net expenditure reductions including lower-than-expected healthcare and payroll costs.[2]

The projected growth in total expenditures across all funds is attributed primarily to scheduled employee cost of living wage increases, higher managed care claims expenses due to higher-than-expected CountyCare membership enrollment in the health systems and increased pension contributions due to an increase in liabilities associated with higher than anticipated current employee salaries.[3]

The Cook County FY2025 proposed budget continues the Preckwinkle administration's focus on utilizing best practice financial and management policies. These include:

- Using long-term financial planning and forecasting techniques and strategies that have helped anticipate and develop plans to mitigate budget shortfalls;
- Developing a plan for the use of excess revenues, including creation of an American Rescue Plan Act (ARPA) sustainability reserve fund to provide ongoing support for programs created using those funds; and
- Implementing a pension funding system based on actual requirements and a 100% funding schedule that will also resolve in a fiscally responsible manner an issue with pensions for Tier 2 employees potentially falling out of compliance with federal Safe Harbor rules.

These efforts have put the County in a stronger financial position than many of its peers in the region and enabled it to build up healthy general operating reserves. Budget projections for the next four years show manageable projected shortfalls in the General Fund and Health Fund due to expenditure projections somewhat higher than revenue growth.

The Civic Federation presents the following **key findings** from the Cook County FY2025 proposed budget:

- **Appropriations:** The County's Executive Budget Recommendation proposes total spending of $9.9 billion in FY2025, which represents an increase of $628.5 million, or 6.8%, from the FY2024 adopted budget of $9.3 billion.

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[1] Cook County, Fiscal 2025 Cook County Preliminary Forecast, p. 4.
[2] Cook County, Executive Budget Recommendation Presentation Fiscal Year 2025, October 10, 2025.
[3] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 3.

- General Fund appropriations, which account for public safety and administrative County functions, are proposed to be nearly $2.2 billion, a decrease of 0.1% from the prior year budget. The slight decrease is primarily due to the elimination of a one-time transfer from the General Fund to the Annuity and Benefit Fund.
- Cook County Health appropriations of $5.1 billion represent an increase of $889.3 million, or 20.9%, from the FY2024 adopted budget. The increase reflects an anticipated increase in Managed Care claim expenses.

- **ARPA Funding**: The FY2025 budget includes $9.9 million for short-term and one-time expenses as well as $165.4 million for a fourth-year allocation to the County's community-based programs. An ARPA sustainability reserve of $158.8 million has been created to maintain the various programs after current funds run out. This reserve will be phased out by FY2031. The County is seeking funds to maintain those programs on a recurring basis.

- **Property Tax Revenue:** FY2025 total property tax revenue will be $824.7 million, an increase of $7.4 million, or 0.9%, from revenues of $817.3 million in FY2024. The County will continue to hold its base property tax level flat at $720.5 million as it has done since 2001 but will generate an additional $95.1 million from expiring TIF districts, new property and expiring incentives.

- **Personnel:** The County proposes a total of 22,830.2 full-time equivalent (FTE) positions in the Operating Funds, which is a net decrease of 44.9 positions, or 0.2%, from the adopted FY2024 budget. All positions eliminated in FY2025 are vacant positions.

- **Pension Fund:** The proposed budget includes a total pension fund contribution of $568.3 million in FY2025. This includes a property tax and PPRT contribution of $223.3 million and a general fund contribution of $345.0 million.

- **Fund Balance:** The County had $1.4 billion in unrestricted general operating reserves at the end of fiscal year 2023. This is well above the target set through the County's fund balance policy. Therefore, the FY2025 budget will allocate $210.3 million in excess unassigned fund balance toward one-time uses.

- **Debt:** Cook County's debt service appropriations of approximately $260 million make up approximately 2.6% of total expenditures, which signifies a low bonded debt burden.

APPROPRIATIONS

The Cook County recommended budget for FY2025 proposes total spending of nearly $9.9 billion. The Health Fund is by far the largest area of spending in the Cook County budget, comprising 52.0% of the total budget, at $5.1 billion, due to the size of Cook County Health operations. The second largest area of spending is within the Public Safety Fund, which comprises 13.7%, or $1.4 billion. The remaining funds account for smaller appropriation amounts.

The County's total proposed appropriations of $9.9 billion in FY2025 represent an increase of $628.5 million, or 6.8%, from the FY2024 adopted budget of $9.3 billion. The following table shows Cook County appropriations by fund over the five-year period from FY2021 to FY2025. During this five-year period, the County's total spending will increase by more than 56.4%, or $3.6 billion, from $6.3 billion in FY2021. The increase is due in large part to increases within the Cook County Health and Hospitals system.

General Fund appropriations are proposed to be nearly $2.2 billion, a decrease of 0.1% from the prior year budget. The decrease is primarily due to the elimination of a one-time transfer from the General Fund to the Annuity and Benefit Fund. Spending from the Public Safety fund will increase by $79.7 million, or 6.2%, in FY2025 from the FY2024 adopted budget. The increase in the Public Safety fund is mainly due to an increase in personnel costs, driven by a 5.0% cost of living adjustment.[4]

Health Fund appropriations of $5.1 billion represent an increase of $889.3 million, or 20.9%, from the FY2024 appropriation of $4.3 billion. The increase is mainly due to the County anticipating an increase in Managed Care claim expenses.[5]

The County budget has a number of Special Purpose Funds, such as the Transportation Fund, that use dedicated resources to pay for specific uses and are intended to be self-supporting.

The County has a fund within the Special Purpose Funds created in the FY2022 budget to account for COVID-19 American Rescue Plan Act (ARPA) funding. The County is proposing an appropriation of $211.7 million in remaining ARPA Funds in FY2025. This is 356.1 million less than was appropriated in FY2024 due to the spend down of available ARPA resources.

The Annuity and Benefits Fund is used to account for the pension fund contribution from the property tax on behalf of County employees, which will be $223.3 million in FY2025. In addition to this amount, the County will contribute an additional $345.0 million for a total statutorily required contribution of $568.3 million. The latter portion of the total pension contribution is appropriated within the General Fund.

The Bond and Interest Fund, which accounts for the cost of debt service, or principal and interest owed on long-term debt, is budgeted to remain at approximately the same level as it has over the past five years, at $259.6 million.

The Election Fund, which funds elections under the jurisdiction of the County Clerk and the Chicago Board of Election Commissioners, is proposed to receive $31.1 million in appropriations, which is about half the Election Fund appropriation the prior year. Appropriations within the Election Fund fluctuate from year to year to account for additional funds needed in election years. The appropriation for this fund will decrease in FY2025 due to it not being an election year.

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[4] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 58 and 222.
[5] Cook County, FY2025 Executive Budget Recommendation, Volume 1, p. .62

All Special Purpose Funds are set to total $1.8 billion in spending in FY2025, which is a decrease of $271.5 million, or 13.2%, from the prior year. Special purpose funds appropriations have increased significantly over the past several years due to the creation of several new special purpose funds, including ARPA, the Equity Fund and the Transportation Fund. In FY2023, the County created the Transportation Fund to account for revenues related to transportation taxes the County collects including the County Use Tax, Gasoline and Diesel Fuel Tax, Parking Lot & Garage Operations Tax, New Motor Vehicle Tax, Wheel Tax and Non-Retailer Transaction Use Tax, which were previously collected in the Public Safety Fund and used to fund general county operations. Beginning in FY2023, expenditures that previously were allocated to public safety departments were shifted to the Transportation Fund. In FY2025 that amount totals $252.4 million.

Grant funds from federal, state and private agencies are expected to total $424.9 million in FY2025. Nearly 88% of these grant funds are provided directly by the federal government or via pass throughs from non-federal agencies, while about 10.8% are State grants.[6]

Capital fund appropriations are proposed to be $347.6 million.

Appropriations Across All Funds by Fund: FY2021-FY2025
(in $ millions)

	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Adopted	FY2025 Proposed	$ Change FY2024-FY2025	% Change FY2023-FY2024
Corporate Fund	$ 575.2	$ 579.6	$ 641.5	$ 917.0	$ 835.0	$ (82.0)	-8.9%
Public Safety Fund	$ 1,276.3	$ 1,322.3	$ 1,243.8	$ 1,279.3	$ 1,358.9	$ 79.7	6.2%
Subtotal General Fund	**$ 1,851.5**	**$ 1,902.0**	**$ 1,885.3**	**$ 2,196.3**	**$ 2,193.9**	**$ (2.3)**	**-0.1%**
Health Fund	$ 3,744.0	$ 4,299.8	$ 4,878.0	$ 4,256.3	$ 5,145.6	$ 889.3	20.9%
Subtotal General & Health Funds	**$ 5,595.5**	**$ 6,201.7**	**$ 6,763.3**	**$ 6,452.5**	**$ 7,339.5**	**$ 886.9**	**13.7%**
Election Fund	$ 23.4	$ 51.7	$ 25.9	$ 64.3	$ 31.1	$ (33.3)	-51.7%
Special Purpose Funds	$ 320.8	$ 393.9	$ 648.0	$ 1,985.5	$ 1,747.3	$ (238.2)	-12.0%
Subtotal Election and Special Purpose Funds	**$ 344.2**	**$ 445.6**	**$ 674.0**	**$ 2,049.8**	**$ 1,778.4**	**$ (271.5)**	**-13.2%**
Restricted Funds (Grants)	$ 285.8	$ 240.3	$ 158.0	$ 432.4	$ 424.9	$ (7.6)	-1.7%
Subtotal Operating Funds	**$ 6,225.5**	**$ 6,887.6**	**$ 7,595.3**	**$ 8,934.8**	**$ 9,542.7**	**$ 607.9**	**6.8%**
Capital Improvement Fund	$ 98.1	$ 93.4	$ 108.9	$ 326.9	$ 347.6	$ 20.6	6.3%
Total Appropriations	**$ 6,323.6**	**$ 6,981.0**	**$ 7,704.2**	**$ 9,261.8**	**$ 9,890.3**	**$ 628.5**	**6.8%**

Source: Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 222.

RESOURCES

Cook County proposes total resources for all funds of $9.89 billion in FY2025, an 8.3% increase from the $9.14 billion budget adopted the prior year. The chart below shows the distribution of all proposed resources in FY2025.

[6] Cook County FY2025 Executive Budget Recommendation, Volume 1, p, 68.Done

Cook County Health fees account for nearly half of total revenue at $4.1 billion, or 49.6%. Sales tax revenues are the second largest revenue source, accounting for 12.2% of resources, or $1.2 billion. Miscellaneous and other sources of revenue are the third largest revenue source, accounting for 11.0% of resources, or $1.1 billion. This includes the use of federal ARPA funds as well as rental income, parking fees, pharmacy rebates and commissions.

Property tax revenue, which includes Tax Increment Financing (TIF) surplus declared by the City of Chicago, will account for 8.3% of total resources at $824.7 million. Expiring TIF increment will account for $38.2 million of that amount. This is an increase of $7.4 million, or 0.9%, compared to the total gross levy of $817.3 million in FY2024.

The County has held its base property tax levy flat at $720.5 million since 2001. However, since FY2013 the County has also captured tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property. In FY2025, the County will capture a total of $95.1 million in additional property tax revenue by capturing $38.2 million from expiring TIF districts, $52.4 million from new property, and $4.5 million from expiring incentives. There is also an offset of 3.0% for loss in collections for the operating funds for an estimated net total property tax amount of $804.4 million available for appropriations. [7]

Other non-property taxes are expected to account for $323.4 million in revenue, or 3.3% of all resources. Non-property tax sources include the County use tax, State income tax and various consumer taxes such as the alcohol, cigarette, gambling machine, amusement and cannabis taxes.

Transportation taxes will account for $252.4 million, or 2.6%, of total resources. As of FY2023, these taxes are accounted for in the County's Transportation Fund, which collects revenue from the County Use Tax, Gasoline and Diesel Fuel Tax, Parking Lot and Garage Operations Tax, New Motor Vehicle Tax, and Non-Retailer Transactions Use Tax.

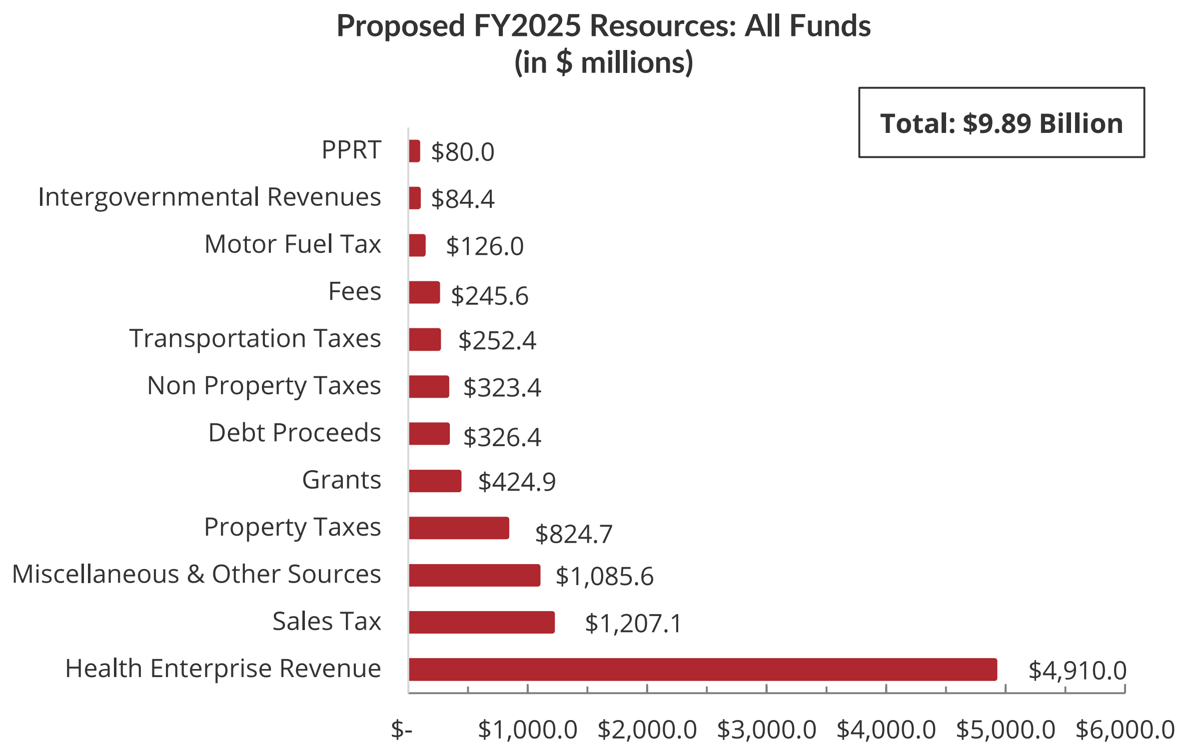
Fees collected by various County offices for services like vital records and permits will make up 2.5% of resources, at $245.6 million.

Intergovernmental revenue will make up 0.9% of resources, totaling $84.4 million. This includes approximately $2.3 million in reimbursements from the County Forest Preserve District for administrative services rendered on its behalf, as well as $65.5 million in reimbursements from the State of Illinois for partial reimbursements of the salaries of the State's Attorney and Public Defender and reimbursements for the salaries of some adult and juvenile probation staff of the Administrative Office of the Illinois Courts (AOIC). It also includes indirect costs from Special Purpose Funds and Grants that are reimbursed back to the County General Fund.[8]

The FY2025 budget's ARPA funding includes $9.9 million for short-term and one-time expenses as well as $165.4 million for a fourth-year allocation to the County's community-based programs.[9] An

[7] Cook County FY2025 Executive Budget Recommendation, Volume 1, pp. 21-22.
[8] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 28.
[9] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 5.

ARPA sustainability reserve of $158.8 million has been created to maintain the various programs after current funds run out. This reserve will be phased out by FY2031. The County is seeking funds to maintain those programs on a recurring basis.[10]



Source: Cook County FY2025 Budget Recommendation, Volume 1, p. 18.

The next exhibit shows five-year Cook County resource trends, from FY2021 through the proposed FY2025 budget. Overall, resources have increased by 43.0%, rising from $6.9 billion to nearly $9.9 billion. In each of the five years presented, health care revenue is the largest resource, averaging 45.4% of total resources. Sales tax revenues in the same period rose by 45.4%, or $376.9 million. The large increase in the miscellaneous and other sources category is due to a reclassification in FY2023 that included funds formerly in other categories as well as the inclusion of federal stimulus funds.

[10] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 13.

Cook County FY2025: All Funds Resources							
	FY2021	FY2022	FY2023	FY2024	FY2025	$ Change	% Change
Health Enterprise Revenue	$ 3,249.7	$ 3,702.1	$ 3,819.5	$ 4,073.6	$ 4,910.0	$ 1,660.3	51.1%
Sales Tax	$ 830.2	$ 968.3	$ 1,092.4	$ 1,119.0	$ 1,207.1	$ 376.9	45.4%
Miscellaneous & Other Sources	$ 79.5	$ 151.9	$ 2,185.7	$ 1,013.8	$ 1,085.6	$ 1,006.1	1265.5%
Property Taxes	$ 796.6	$ 803.3	$ 806.6	$ 817.3	$ 824.7	$ 28.1	3.5%
Grants	$ 346.3	$ 365.4	$ 485.2	$ 429.8	$ 424.9	$ 78.6	22.7%
Debt Proceeds	$ 350.7	$ 343.1	$ 332.6	$ 301.0	$ 326.4	$ (24.3)	-6.9%
Non Property Taxes	$ 453.1	$ 488.3	$ 264.4	$ 321.6	$ 323.4	$ (129.7)	-28.6%
Transportation Taxes		---	$ 237.5	$ 248.4	$ 252.4	$ 252.4	---
Fees	$ 221.3	$ 260.0	$ 249.3	$ 235.9	$ 245.6	$ 24.3	11.0%
Motor Fuel Tax	$ 275.7	$ 275.2	$ 172.7	$ 118.0	$ 126.0	$ (149.7)	-54.3%
Intergovernmental Revenues	$ 70.6	$ 618.7	$ 90.3	$ 97.5	$ 84.4	$ 13.8	19.5%
Personal Property Replacement Tax	$ 50.9	$ 66.6	$ 139.8	$ 113.2	$ 80.0	$ 29.1	57.2%
Fund Balance	$ 192.1	$ -	$ -	$ -	$ -	$ (192.1)	-100.0%
Total	**$ 6,916.7**	**$ 8,042.9**	**$ 9,876.0**	**$ 8,889.1**	**$ 9,890.5**	**$ 2,973.8**	**43.0%**

Sources: Cook County FY2021 Budget Recommendation, Volume 1, p. 32; Cook County FY2022 Budget Recommendation, Volume 1, p. 38; Cook County FY2023 Budget Recommendation, Volume 1, p. 38; Cook County FY2024 Budget Recommendation, Volume 1, p. 40; Cook County FY2025 Budget Recommendation, Volume 1, p. 18.

PERSONNEL TRENDS

The following section presents the number of budgeted personnel positions by fund. Personnel positions are measured by full-time equivalent (FTE) positions. FTE positions represent the total hours worked divided by the average annual hours worked in a full-time position. FTE is used as a measure of personnel positions, rather than the number of employees, to compare workloads regardless of the number of hours each employee works. FTE positions account for full-time, part-time, seasonal and hourly wage earners.

PERSONNEL POSITIONS BY FUND

Cook County proposes a total of 22,830.2 full-time equivalent (FTE) positions in FY2025 in the operating funds, which include the Corporate Fund and Public Safety Fund (both of which make up the General Fund), Special Purpose Funds and Health Fund. This total excludes 477.8 positions within the grant funds. FTE positions within the operating funds represent a net decrease of 44.9 positions, or 0.2%, from the adopted FY2024 budget. All positions eliminated in FY2025 are vacant positions. Budgeted personnel positions over the five-year period from FY2021 through FY2025 are shown in the chart below.

When including grant funds, the total proposed number of FTE positions is 23,308.0, a net decrease of 56.3 FTEs, or 0.2%, from the adopted FY2024 budget.[11] The number of grant-funded positions will decrease from 489.2 FTEs in FY2024 to 477.8 FTEs in FY2025.[12] A majority of grant funds support Public Safety programs and economic development initiatives.[13]

[11] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 70.
[12] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 70.
[13] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 43.

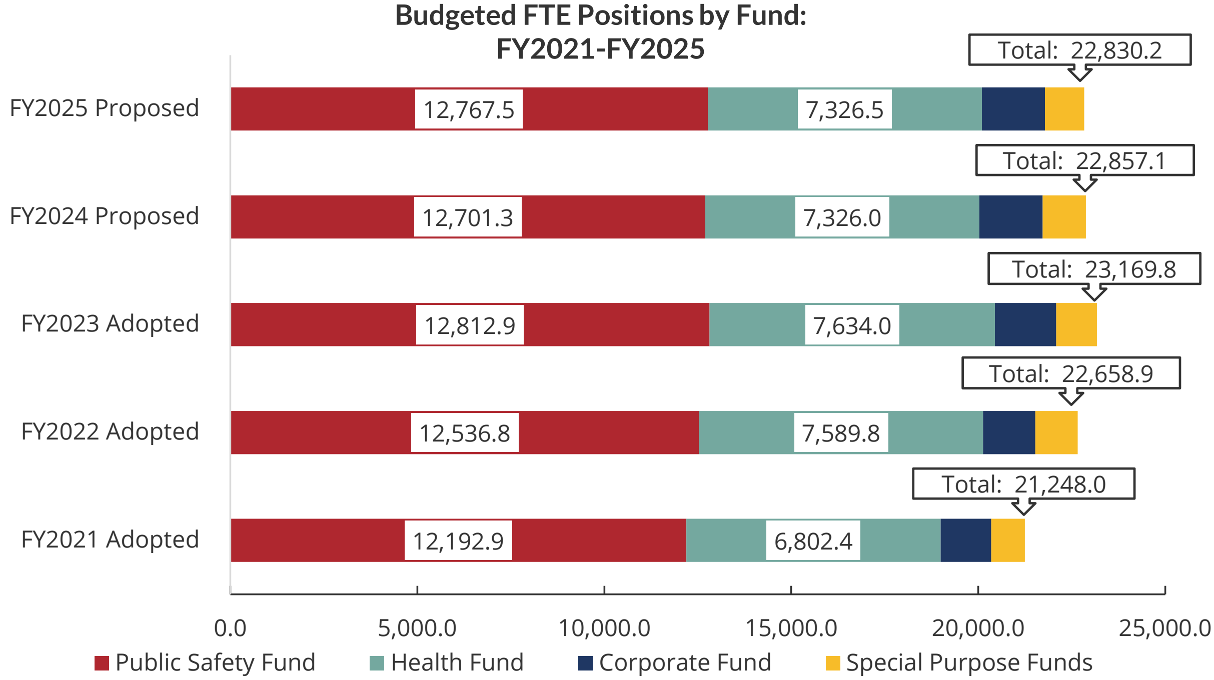
The largest portion of the County's personnel are budgeted within the Public Safety Fund, with 12,767.5 FTEs. Personnel positions in the Public Safety Fund will increase by 66.2 FTEs, or 0.5%, over the FY2025 adopted budget. The increase is largely due to the County's anticipated staffing needs for community alternatives to the Juvenile Temporary Detention Center.[14]

The largest decrease in personnel between FY2024 and FY2025 will take place within the Special Purpose Funds. The Special Purpose Funds are budgeted for 935.5 proposed FTE positions, which is a net decrease of 103.9 FTEs or 10.0% from FY2024, mainly due to the reduction in ARPA spending.[15]

FTE positions in the Corporate Fund will be relatively flat, showing a decrease of 0.5%, or 7.7 FTEs to 1,685.7 FTEs, compared to FY2024.

Over the five-year period starting in FY2021, the total number of FTE positions (excluding grant funds) will increase by 1,582.2 FTEs, or 7.4%, from 21,248.0 FTEs to 22,830.2 in the FY2025 proposal. FTE positions within the General Fund, which includes the Corporate Fund and Public Safety Fund, will increase by a total of 907.5 FTEs, or 6.7% over the five-year period. The Health Fund will see an increase of 524.1 FTEs, and Special Purpose Funds will increase by 161.2 FTEs, or 20.8%, up from 774.3 FTEs in FY2021, due to the transfer of several positions to the ARPA fund starting in FY2022.

Budgeted FTE Positions by Fund: FY2021-FY2025



Note: Figures do not include grant-funded positions.
Source: Cook County FY2025 Budget Recommendations, Volume 1, pp. 254-257.

[14] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 58.
[15] Cook County FY2025 Executive Budget Recommendation, Volume 2, pp. R-5-7

RESERVES

This section describes Cook County government's level of operating reserves, as measured by the County's unrestricted "fund balance." **Fund balance** is an accounting term referring to the difference between assets and liabilities, or the net position of governmental funds calculated according to generally accepted accounting principles (GAAP). GAAP establishes five components of fund balance. **Unrestricted fund balance includes three of the five** — *Committed, Assigned* and *Unassigned*—which can be used for any operating purposes if needed. The other two, *Nonspendable* and *Restricted* fund balance, are resources that cannot be spent because of legal or contractual restrictions.[16]

GFOA Best Practices on Fund Balance

The Government Finance Officers Association (GFOA) provides guidelines on the appropriate level of fund balance that governments should maintain and recommends that governments establish a fund balance policy that defines a minimum and maximum level of reserves and incorporate the use of risk-based analysis to consider the government's specific circumstances. The GFOA has long recommended that general purpose governments maintain an unrestricted fund balance in their general fund of at least two months of general fund operating revenues or expenditures, which is approximately 16.7% of expenditures. However, the GFOA acknowledges that an unrestricted fund balance lower than the recommended minimum may be appropriate for large governments, such as states and large cities or counties, because they can often better predict contingencies and they typically have diverse revenue streams.[17] Updated GFOA guidance recognizes reserve levels may need to be more individualized, rather than a "one size fits all" policy, to optimize a government's reserves based on local risk factors such as financial and economic disruptions, public health emergencies, public safety challenges and severe weather events.[18]

Cook County incorporates all of these considerations into its fund balance policy and the level of reserves maintained over the past several years. The County's fund balance policy establishes an optimal minimum and maximum amount, and the County conducts scenario forecasting based on various levels of risk that could impact revenues and expenditures over time.

Cook County Unrestricted Fund Balance

The County's General Fund unrestricted fund balance as a percentage of general operating expenditures, or fund balance ratio, has grown significantly from a low of $62.5 million, or 4.4% of expenditures, in FY2014 to over $1.2 billion as of the end of FY2022. The County's $1.2 billion in unrestricted fund balance consists of $390.6 million in assigned fund balance and $810.9 million in unassigned fund balance.

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[16] Governmental Accounting Standards Board, Statement No. 54 of the Governmental Accounting Standards Board: Fund Balance Reporting and Governmental Fund Type Definitions, February 2009.
[17] Government Finance Officers Association, Fund Balance Guidelines for the General Fund.
[18] For more details about the GFOA's updated reserves guidance, see the Civic Federation's blog post, "GFOA Recommends Governments Rethink Their Reserve Policies," September 15, 2023.

The General Fund's fund balance level has exceeded the GFOA's recommendation of maintaining an unrestricted reserve ratio of at least 16.7% since FY2018. The County's fund balance increased significantly, to $593.1 million in FY2020, representing 42.1% of general operating expenditures. The increase was due to an increase in operating revenues from the prior year across several tax and fee sources including income, cigarette, other tobacco products, cannabis, sports wagering and other non-property taxes, as well as increased revenues from the State of Illinois due to the timing of grant funded appropriations and higher than expected CVS Caremark Rx rebates and legal settlements.[19]

The fund balance rose substantially again in FY2021, to $869.1 million, or 53.6% of general operating expenditures. The increase was due primarily to two sources: 1) a $255.5 million increase in taxes including the sales tax, personal property replacement tax, the county use tax and the cannabis tax; and 2) a $76.9 million increase in fee revenues in the County Clerk and Treasurer's offices, as well as a reclassification of revenue in the Sheriff's Office to meet requirements of GASB 84.[20]

The County's unrestricted fund balance in FY2022 increased to $1.2 billion, well exceeding two months of reserves as recommended by the GFOA. The increase from $869.1 million the prior year was due to revenue increases from the sales tax, personal property replacement tax, use tax, parking lot and garage operations tax and the hotel tax, which outpaced increases in expenditures that year.[21]

In FY2023, the unrestricted fund balance rose to $1.4 billion, an 88.5% ratio. The increase from the previous year was due to increases in sales tax, amusement tax, hotel tax and sports wagering tax revenues as well as decreased expenditures.[22] The County's FY2023 $1.4 billion unrestricted fund balance consists of $592.2 million in assigned fund balance and $856.7 million in unassigned fund balance.

[19] Cook County FY2020 Annual Comprehensive Financial Report, pp. 20-21.
[20] Cook County FY2021 Annual Comprehensive Financial Report, p. 20.
[21] Cook County FY2022 Annual Comprehensive Financial Report, p. 21.
[22] Cook County FY2023 Annual Comprehensive Financial Report, p. 19.

Unrestricted General Fund
Fund Balance Ratio: FY2014-FY2023

	Unrestricted General Fund Balance	General Operating Expenditures	Ratio
FY2014	$ 62,503,592	$ 1,430,325,176	4.4%
FY2015	$ 99,323,337	$ 1,472,330,244	6.7%
FY2016	$ 183,433,217	$ 1,615,046,369	11.4%
FY2017	$ 265,415,671	$ 1,671,283,599	15.9%
FY2018	$ 352,817,410	$ 1,587,866,746	22.2%
FY2019	$ 456,422,288	$ 1,616,200,408	28.2%
FY2020	$ 593,129,813	$ 1,410,302,725	42.1%
FY2021	$ 869,065,151	$ 1,621,983,620	53.6%
FY2022	$ 1,201,472,575	$ 1,721,686,660	69.8%
FY2023	$ 1,448,826,996	$ 1,636,501,999	88.5%

Sources: Cook County FY2014-FY2023 Annual Comprehensive Financial Reports: Balance Sheet Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balance: Governmental Funds.

Cook County Financial Reserve Policy

Cook County has a financial reserve policy to maintain a "floor" of unassigned fund balance in the General Fund of no less than two months (16.7%) of General Fund expenditures and a "ceiling" of three months' worth (25%) of the expenditures." If the unassigned fund balance drops below the "floor," the policy directs the County to develop an action plan to replenish the fund balance in coordination with the annual adopted budget. If the unassigned fund balance exceeds the three-month "ceiling," the County can use these funds to pay for nonrecurring expenses, an outstanding liability (i.e., pensions or bonded debt) or transfer it to a committed or assigned fund balance in the following fiscal year.[23]

After transfers and allocations, the unassigned ending FY2025 General Fund balance will be $550.8 million. This is above the FY2025 floor amount of $407.7 million, so the County can access these funds for non-recurring expenses and specific purposes. The County plans to use $210.3 million in excess fund balance for the following purposes:[24]

- $20.0 million will be contributed to the pension stabilization fund;
- $44.8 million to the self insurance fund reserve;
- $42.1 million will be used for one-time General Fund expenditures;
- $12.3 million will go to the Cook County Land Bank to help reduce the Land Bank's

[23] Cook County FY2025 Executive Budget Recommendation, Volume 1, pp. 13-14.
[24] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 14.

- deficits;
- $41.1 million will be transferred to the Infrastructure and Equipment Fund for state mandated capital expenditures in the Sheriff's Office; and
- $50.0 million will be transferred to the disaster response and recovery fund.

The assigned portion of the General Fund fund balance, totaling $592.2 million in FY2023, has been assigned to a variety of purposes to mitigate various financial risks to the County. This assigned portion of fund balance is allocated as follows:

- $180 million to the Pension Stabilization Fund;
- $80 million to the Infrastructure and Equipment Fund;
- $50 million to a Cook County Health Reserve Fund;
- $89.3 million to the Equity Fund;
- $7.3 million to Special Projects;
- $26.0 million to a Self-Insurance Fund reserve;
- $158.8 million will be assigned to an ARPA program sustainability reserve; and
- $812,239 in settlement funds to Maternal Objective Management, a program for pregnant and post-partum jail detainees.

PENSION FUND

This section examines the budgetary impact of Cook County's contributions to its pension fund. For information about indicators of the fiscal health of Cook County's pension fund, see a forthcoming Civic Federation blog post. Additional descriptive information about the County's pension benefits and history can be found in past budget analyses.[25]

In FY2023 there were 18,529 active County employees participating in the pension fund and 20,661 beneficiaries, for a ratio of active employees to beneficiaries of 0.9. A low ratio of active employees to annuitants means there are fewer employees paying into the fund and more retirees taking annuity payments out of the fund. This can be a signal of distress for a mature and underfunded pension like the County fund, where additional employer contributions will be needed to make up the difference. Over time, the number of beneficiaries receiving benefits has increased while the number of active Cook County employees paying into the fund has decreased. Prior to FY2020, the County fund had more employees than retirees. Members of the Cook County pension fund do not participate in the Social Security program, so they are not eligible for Social Security benefits as related to their County employment when they retire.

PENSIONS IN THE FY2025 COOK COUNTY BUDGET

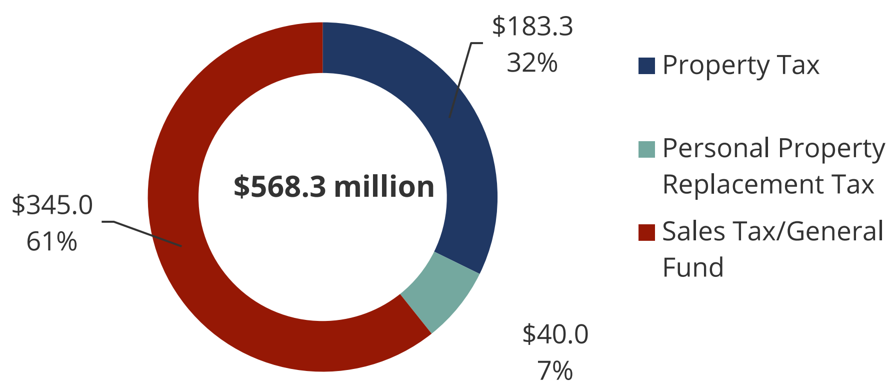
The total statutorily required contribution Cook County will make to the pension fund in FY2025 is $568.3 million. This includes a property tax and PPRT contribution of $223.3 million and a general

[25] See for example Civic Federation, "Cook County FY2021 Executive Budget Recommendation: Analysis and Recommendations," November 19, 2020, pp. 80-93.

fund contribution of $345.0 million. The County pension fund actuary projects that with the new statutory funding schedule, the fund will be 100% funded by 2047.[26]

The County uses several revenue sources to make its pension contributions: property taxes, personal property replacement tax (PPRT) and sales tax revenue. In FY2024 the County made a change to how it uses PPRT revenue to fund pensions. Starting in FY2024, the County will budget a flat amount of $40 million of PPRT revenue to fund its statutory pension contribution. The County says it made this change because of the volatility of PPRT revenue. The County now uses more property tax revenue to make up the difference. The remaining PPRT revenue flows to the General Fund.[27] The following chart shows the breakdown of the County's pension revenue sources. The sales tax/General Fund is the single largest source of revenue for pensions at $345.0 million, or 61%, of total pension funding. Property taxes will account for $183.3 million, or 32%, of the contribution, and PPRT will account for $40 million, or 7%.

FY2025 Cook County Pension Fund Sources of Revenue
(in $ millions)

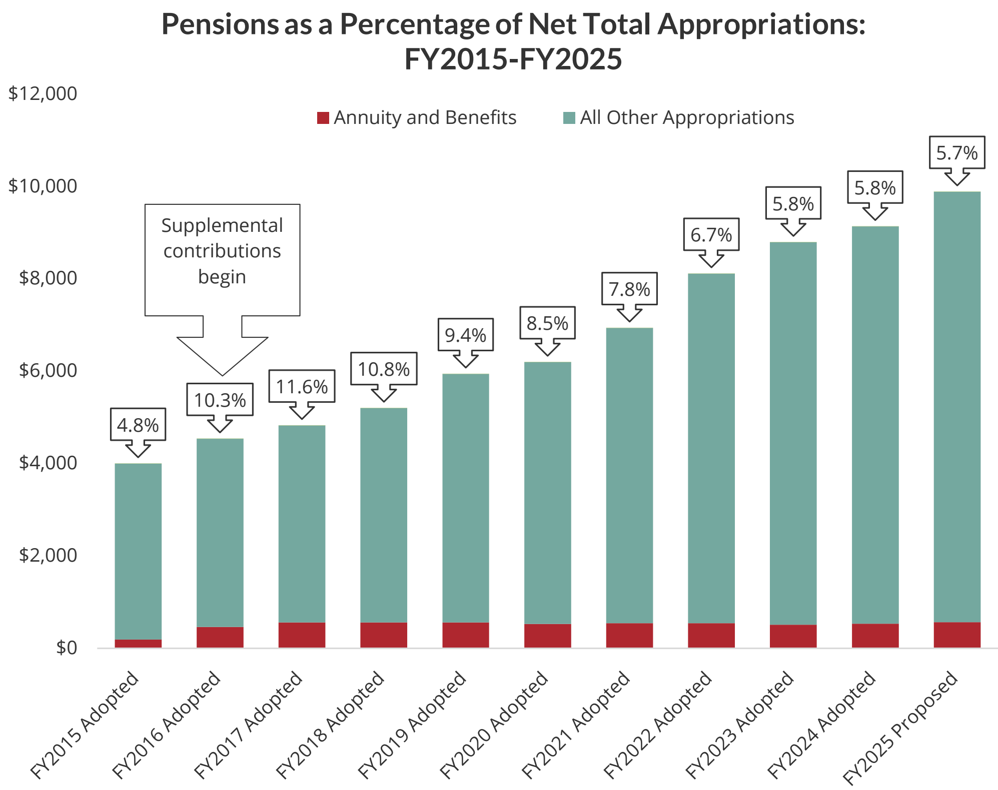


Source: FY2025 Cook County Executive Budget Recommendation, Volume 1, p. 12.

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

[26] County Employees' and Officers' Annuity and Benefit Fund of Cook County, "Combined Actuarial Valuation as of December 31, 2023," p. 5.
[27] Cook County FY2024 Executive Budget Recommendation, Volume 1, p. 11.

faster, meaning that the percentage of the budget going to pensions has decreased over the years to 5.7% in FY2025.

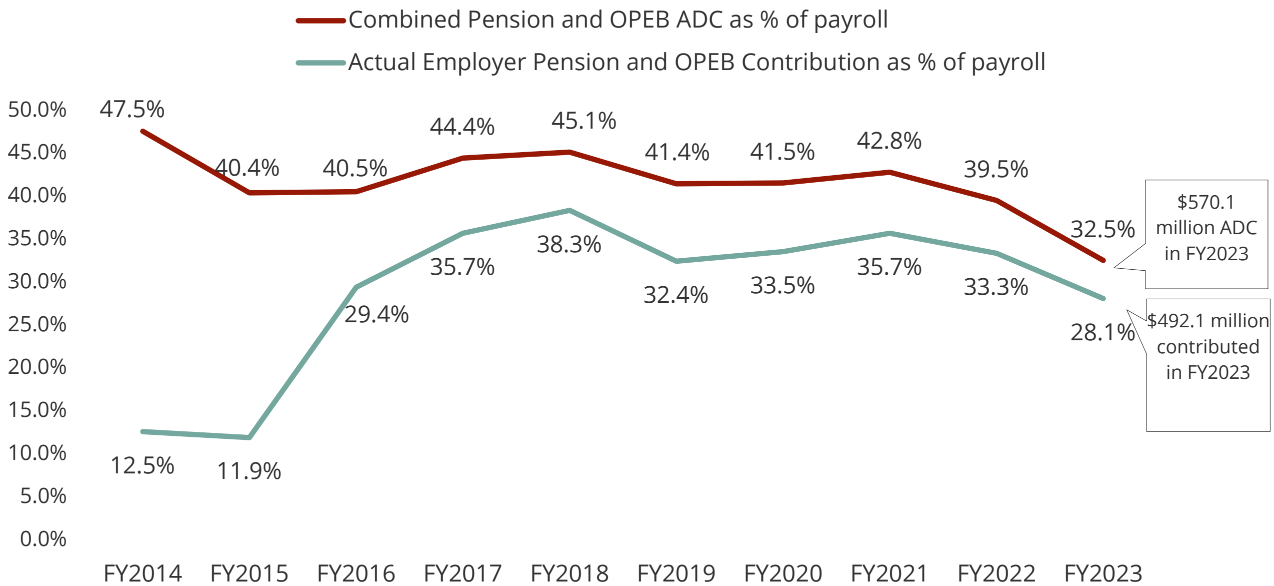


Source: Cook County Budgets, FY2015-FY2025.

The Actuarially Determined Contribution (ADC), metric provides an objective measure of how much the County would need to contribute in order to pay off its unfunded liability over a set period of time. The ADC is a reporting requirement of the Governmental Accounting Standards Board (GASB) and is reported in each pension fund's annual actuarial reports.

The following chart compares the County's actual pension contribution as a percentage of payroll to the actuarially determined contribution as a percentage of payroll. The spread between the two amounts has decreased from a shortfall of 35 percentage points in FY2014, or $530 million, to a gap of just 4.4 percentage points in FY2023 The gap between the actual contribution and the ADC decreased significantly in FY2016 due to the County's first supplemental pension payment that year. The shortfall has continued to decrease since then. In order to fund the pension plans at a level that would both cover normal costs and amortize the unfunded liability over 30 years, the County would have needed to contribute an additional 4.4% of payroll, or $78.0 million, in FY2023.

Cook County Combined Pension and OPEB Valuation Actuarially Determined Contribution vs. Actual Employer Contribution: FY2014-FY2023



Note: The combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.0% discount rate. It does not use a lower discount rate for OPEB liabilities as required for GASB Statement 75 financial reporting.
Source: Cook County Financial Statements and Combined Actuarial Valuations, FY2014-2023.

COOK COUNTY DEBT

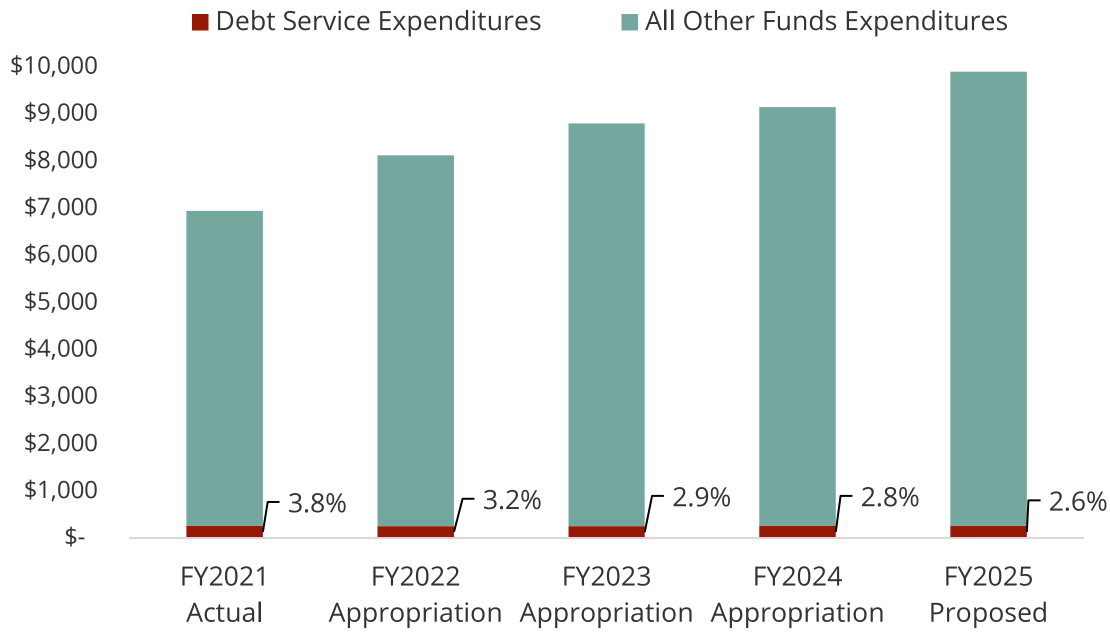
This section of the analysis provides summary information about debt service trends over time, the County's current bond ratings, the proposed FY2025 capital budget and the County's 10-year capital improvement plan.

DEBT SERVICE TRENDS

The ratio of debt service expenditures as a percentage of total expenditures is frequently used by rating agencies to assess governmental debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high by the rating agencies. The County has not come close to the 15% threshold in the five years examined. The debt service ratio has declined over this period, from a high of 3.8% in FY2021 to a low of 2.6% for the FY2025 proposed budget, as the County's overall expenditures have grown from about $6.7 billion to $9.9 billion. Debt service appropriations have remained level throughout this five-year period, averaging approximately $258 million. Cook County's debt management policy limits annual increases in debt to 2.0% until it reaches a $400 million debt service threshold.[28]

[28] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 168.

Debt Service Appropriations as a Percentage of Total Appropriations: FY2021-FY2025 (in $ millions)



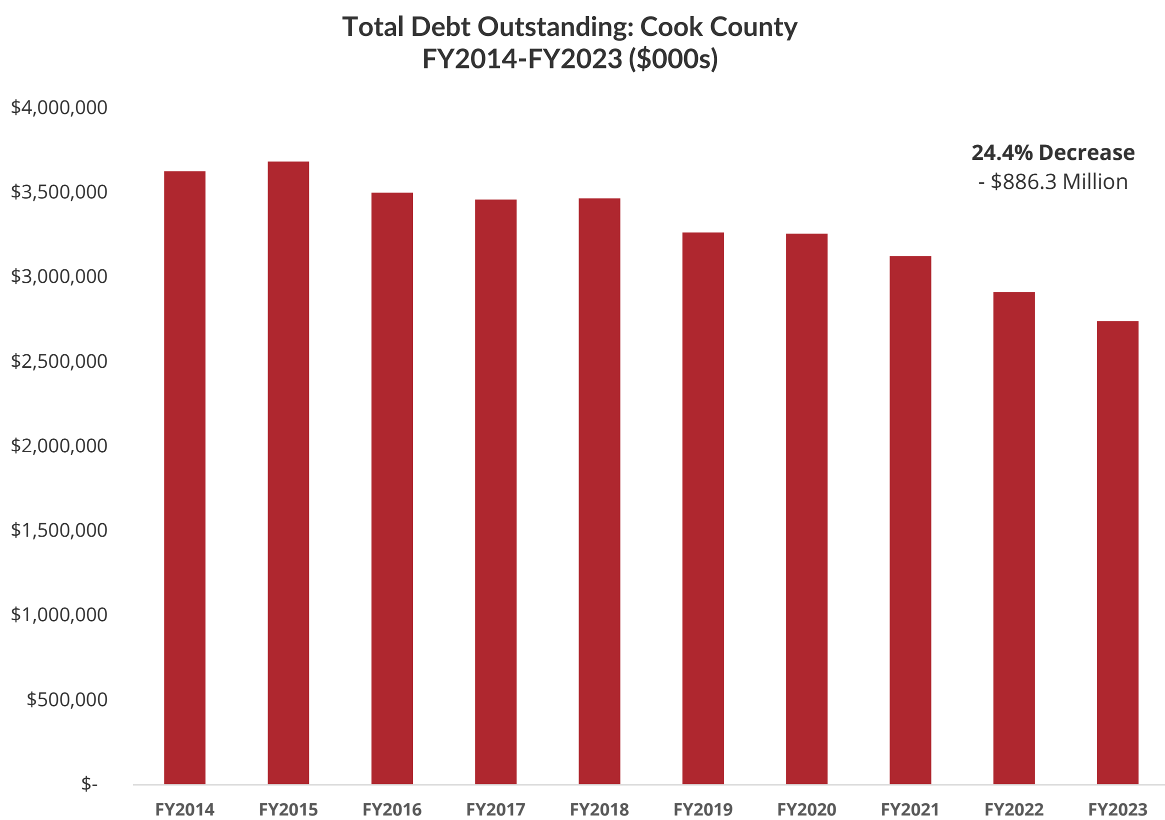
Source: Cook County FY2025 Executive Budget Recommendation, Volume I, p. 224.

Total Net Debt Outstanding

Cook County government debt primarily consists of general obligation (GO) and revenue debt. GO debt is paid for with general taxes, such as the property tax. Governments provide a full faith and credit pledge for this type of debt, an unconditional commitment to pay the debt. Revenue debt is supported by dedicated revenue sources, such as user fees and charges. It is often utilized to construct, maintain or rehabilitate revenue-generating enterprises such as airports or water and sewer networks. The government's revenue pledge is more limited than for GO debt, so this type of debt can carry higher interest costs. The figures presented for general obligation debt are for net debt, which includes unamortized premiums or discounts and capital appreciation bonds' accreted interest.

Most Cook County debt outstanding is net general obligation debt. Over the 10-year period analyzed, an average of 86.2% of all debt outstanding was of this type. The County also issues sales tax revenue bonds, funded exclusively by sales tax revenues. These have increased as a percentage of all debt outstanding from 3.1% in FY2014 to 25.2% in FY2023.

Cook County total net debt outstanding between FY2021 and FY2025 fell by 24.4%, from $3.6 billion to $2.7 billion, a decrease of $886.3 million.

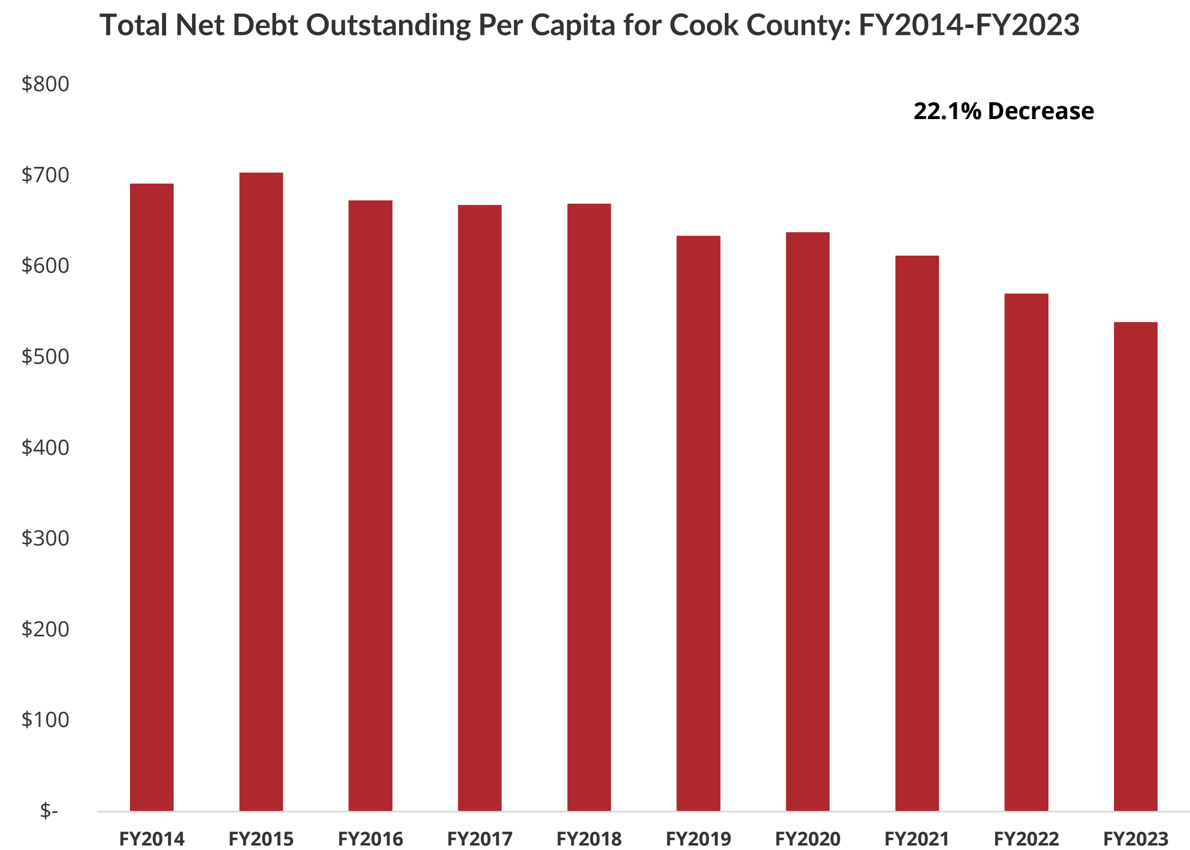


Sources: Annual Comprehensive Financial Reports.

Net Debt Outstanding Per Capita

A commonly used measure of the debt burden on residents and taxpayers is net debt outstanding per capita. This indicator divides the amount of debt outstanding (the indicator discussed above) by the total population of the jurisdiction. Increases over time in the ratio bear watching as a potential sign of increasing financial risk in much the same manner as increases in total debt outstanding figures do. Data for this indicator comes from governmental audited Annual Comprehensive Financial Reports.

The following chart shows net general obligation and revenue debt outstanding per capita for Cook County for the 10-year period between FY2014 and FY2023. In that period, Cook County total debt outstanding per capita fell by 22.1%, from $691 to $539.



Sources: Annual Comprehensive Annual Reports.

RECENT BOND ISSUES AND FUTURE FINANCING ACTIONS

In FY2025 Cook County anticipates the following actions:[29]

- Issuing $175.0 million of Sales Tax Bonds to repay the County's current tax-exempt revolving line of credit that is drawn upon to pay for capital expenditures.
- Extending its $100 million taxable General Obligation Note, Series 2016. The balance on the line of credit is currently undrawn. The line of credit provides the County with additional liquidity if needed.

[29] Cook County FY2025 Executive Budget Recommendation, Volume 1, p. 98.

Bond Ratings

The rating agencies evaluate the creditworthiness or credit quality of government bond issuances based on how well the government manages its debt portfolio, relative debt burden, revenue capacity, financial performance and the underlying economic base. Based on the analysis, they assign a letter grade credit rating, which influences the cost of borrowing for issuers. Higher ratings translate to lower interest rates that the issuer offers to lenders while lower ratings increase those costs. Investment grade bonds are given “AAA” to “BBB-" ratings from Standard & Poor's and Fitch while Moody’s assigns "Aaa" to "Baa3" ratings. Bonds with these ratings are considered relatively safe investments. Lower credit ratings indicate that the debt issues are non-investment grade or “junk” bonds. They carry ratings of “BB+” to “D” for Standard and Poor's and Fitch, and "Ba1" to "C" for Moody’s. They are higher risk investments. The governments issuing these bonds may have liquidity issues and there may be a risk of default. All Cook County bonds are currently rated as investment grade issuances.

Cook County has received a number of credit upgrades over the past year reflecting increases in reserves, expenditure controls, the approval of pension reform legislation affirming the County’s use of supplemental funding for its retirement system and an improved fiscal situation. The latest was on July 23, 2024, when Fitch upgraded Cook County’s general obligation (GO) bonds from 'AA-' to 'AA'.

COOK COUNTY BOND RATINGS
As of October 2024

	Rating	Outlook
General Obligation Debt		
Moody's Investors Services	A1	Stable
Standard & Poors	A+	Stable
Fitch Ratings	AA	Positive
Sales Tax Debt		
Standard & Poors	AA-	Stable
Fitch Ratings	AA	Positive
Kroll	AAA	Stable

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