



THE CIVIC FEDERATION
2007 ANNUAL REPORT

RESEARCH INFORMATION ACTION
SINCE 1894



HISTORY

In 1894 a group led by several of Chicago's most prominent citizens—including Jane Addams, Bertha Palmer, and Lyman J. Gage—coalesced around a serious issue: the need to address deep concerns about the city's economic, political, and moral climate. They created The Civic Federation, which grew to become a leading voice for governmental fiscal responsibility and an effective champion of rational tax policy. The work of The Civic Federation continues to evolve in the 21st century, as a greater emphasis is placed on working with State of Illinois, Cook County, and local government officials to improve their efficiency, effectiveness, and accountability and to promote rational tax policies.

THE CIVIC FEDERATION'S MISSION

Today The Civic Federation remains true to the non-partisan mission established by its founding members as it helps local and state governments reduce their costs and improve the quality of government services by:

- Promoting opportunities to reform local tax structures;
- Guarding against wasteful expenditure of public funds; and
- Serving as a technical resource to public officials and opinion leaders through non-partisan tax and fiscal research.

THE CIVIC FEDERATION:

An Objective Perspective

As a non-profit, non-partisan organization, The Civic Federation provides an objective perspective on state and local government tax and finance issues.

Thanks to our reputation for fair, unbiased research and thoughtful advocacy, we successfully challenge the elected leaders of northeastern Illinois to adopt rational tax policies and improve government efficiency, effectiveness, and accountability. We continue to focus our efforts on identifying and eliminating inefficient or unnecessary expenditures of public funds, and on offering cost-saving alternatives.

As part of our mission, The Civic Federation continues to provide all of our reports, studies, and analyses directly to the leaders of the major units of municipal, county, and state government. We also work with the news media to inform the residents of northeastern Illinois and make our research available to the general public at no cost thorough our Web site, www.civicfed.org.

TABLE OF CONTENTS

Chairman’s Letter	2
President’s Letter	3
Research.....	4
Information	8
Civic Federation Awards	10
Action.....	12
Support.....	15
Statement of Activities	17



United States Senator Richard Durbin speaks at
The Civic Federation’s Annual Meeting

“The Civic Federation has
been an important partner
in our efforts to reform
the Cook County Hospital
System and many other areas
of Illinois government.”

—Richard J. Durbin,
United States Senator



FROM OUR CHAIRMAN

For 113 years The Civic Federation has served as a common sense beacon on the often complicated issues of taxation and government spending for residents across Illinois. The Federation strives to inform the public and government officials alike through the publication of independent and non-partisan research and comprehensive annual budget and pension analyses. We use the knowledge gained from these endeavors to encourage governments to spend public funds rationally and efficiently while also advocating for accountability and transparency.

In 2007 the Federation shed important light on some of the most complex and misunderstood issues for local governments in Illinois: tax increment financing (TIF), property taxes, and charter schools.

Our TIF Issue Brief and Policy Position found that, contrary to popular belief, the major impact of TIF is on property taxpayers, not governments. Thanks to the hard work of the members of the TIF Committee, chaired by Amy Anderson Day, the report's recommendations are helping to steer our local governments' policies. Cook County Clerk David Orr praised the Federation's brief in his report on 2006 TIF revenues and has already implemented one of the Federation's key policy recommendations.

The Federation's recent analysis of the effects of the 7% homeowner property tax exemption was recognized by the national Governmental Research Association for distinguished research. The report parsed mountains of data to find that, contrary to the claims of other studies, the exemption as it was originally implemented did not excessively shift tax burden onto commercial and other non-homestead properties.

One of the oft-cited arguments against charter schools is that they divert funds from already cash-strapped public schools.

The Civic Federation's comprehensive study of downstate charter schools in Illinois found that charters do not constitute an undue burden on their host districts and that the diversion of funds to charters did not compromise districts' ability to manage their finances.

All of these conclusions exemplify The Civic Federation's commitment to our independence and to our tradition of evidence-based research. Public officials, the media, and the public know that in the Federation they have a source of information on government that is free of partisan spin.

Such independent thinking would not be possible without the encouragement, expertise, and support of The Civic Federation's Board members, who also generously donate their time and energy to the Federation's many research and policy committees. Their guidance assures that the Federation will continue to be at the forefront of the changing government finance landscape. With their help, the Federation's mission to educate the public on these important government matters and shape responsible public policy will flourish for decades to come.

Barbara Stewart



FROM OUR PRESIDENT

For many Illinoisans, 2007 was a year of difficult financial changes. Our local media has described the condition as a “tax tsunami.” In the context of a slowing housing market and economic downturn, the State of Illinois’ enormous and ill-considered gross receipts tax proposal, the largest property tax increase in City of Chicago history, and Cook County’s sales tax hike were especially outrageous. In light of such unsustainable proposals, The Civic Federation’s message of efficient, transparent, and accountable government is more important than ever.

Throughout 2007 The Civic Federation strongly supported the Chicago Transit Authority’s effort to gain legislative approval for landmark reforms to its rapidly-deteriorating pension system and retiree health care program. The legislation included many Federation-recommended reforms and will also improve the Regional Transportation Authority’s oversight of all of the Chicago area transit boards. The Civic Federation was also at the forefront of the creation of a new governing board for the Cook County Bureau of Health, calling for the new board to have the independence and accountability necessary to counteract the bureau’s troubled history of financial and managerial inadequacy.

Looking to the future, the Federation extended its research into two new issues this year: Medicaid and education funding. Our 2007 Medicaid Forum, co-hosted by the Federal Reserve Bank of Chicago, brought together national experts to discuss the impact of the Medicaid program on state budgets and methods of combating its rising costs. Tommy Thompson, the former United States Secretary of Health and Human Services and four-term governor of Wisconsin, delivered the keynote address. The Federation also partnered with the Metropolitan Mayors Caucus in developing and supporting state legislation to improve the financial accountability of Illinois schools. The Federation study the legislation was based upon drew praise and support from education advocates across the state, editorial boards, educators, and government officials.

The Federation’s expert fiscal and tax analysis was sought by governments across the region in 2007. We worked with the City of Chicago as a member of the 21st Century Commission, which was convened to streamline Chicago’s government, and were invited to join numerous commissions that will begin their work in 2008. The Federation greatly values the cooperation we receive from the state and local governments and are pleased to join efforts to improve their efficiency whenever possible.

Like our Chairman, I would like to thank our entire generous and talented Board of Directors. I would especially like to recognize our hard-working officers: Vice Chairmen Sarah Garvey, George Lofton, and Thomas McNulty; Treasurer Joseph Starshak; and Vice President Lise Valentine, all of whom provide us with excellent counsel and leadership on so many complex governmental issues. Special thanks are also due to our excellent Chairman, Barbara Stewart, who combines savvy business judgment with real-life government experience to provide first rate leadership and guidance to the entire Civic Federation.



RESEARCH

“The Civic Federation generates thoughtful analysis on some of the most pressing issues in Illinois government. On legislation ranging from pension reform to mass transit funding, the Federation adds an important perspective for making government more efficient and accountable.”—Julie Hamos, Illinois State Representative



The spirit of The Civic Federation's mission is fulfilled through its long-term, in-depth research reports, which cover the full range of public finance issues at the state and local levels. Over the past year, The Civic Federation has used its research expertise to offer analysis of and solutions to many of our state's most complex fiscal questions, from the labyrinthine Cook County property tax system to the Federation's greatest concern: the need for state and local government pension reform. All of our reports are available free of charge on our Web site, www.civicfed.org.

Tax Increment Financing (TIF): A Civic Federation Issue Brief and Position Statement explains the impact of TIF on taxpayers and local governments in Illinois. The issue brief reviews the TIF designation process, recent empirical research on TIF, and provides detailed information on selected City of Chicago TIF Districts. The analysis found that, contrary to popular belief, the major impact of TIF is on taxpayers, not government taxing bodies. TIF leads to tax rates that are higher for property taxpayers than they would have been in the absence of TIF, but does not significantly negatively impact two out of the three types of property tax funded jurisdictions, including all jurisdictions in Cook County. The Civic Federation supports Tax Increment Financing as an economic development tool but recommends that there be much greater transparency in the quantity and quality of TIF information provided to the public.

A Governmental Research Association award-winning study, **The Effects of the "7% Cap" on Property Taxes Paid in Cook County: 2002-2008** provides a comprehensive examination of the effects of the "7% cap" (expanded homeowner exemption) on property taxes throughout Cook County from 2002-2005, and projected 2006-2008. The report breaks out more categories of property and provides more specific data on municipalities and Chicago neighborhoods than previous reports analyses. The study finds that eliminating the exemption would create a median property tax increase of 43.6% over the previous year for Chicago homeowners in tax year 2006, 25.8% for north suburban homeowners in 2007, and 19.8% for south suburban homeowners in 2008.

The Financial Impact of Charter Schools on Illinois School Districts: a Primer and Three Case Studies explains the laws and funding mechanisms applicable to charter schools in Illinois and investigates how Illinois charter schools affect the finances of their host school districts. It includes three in-depth case studies of Illinois charter schools and their host districts, as well as a legislative history of charter school law in Illinois and a review of national research on charter schools. It finds that Illinois charter schools do not constitute an undue financial burden for their host school districts, and that the diversion of funds from the host district to its charter school did not compromise districts' ability to manage their finances.

State of Illinois Employee Health Insurance Plans: Analysis and Recommendations for Cost Containment reviews the features and costs of the State of Illinois employee group health insurance program, examines the fiscal impact of the program on the state operating budget, and makes policy recommendations for containing the program's rising costs. The analysis identified more than \$400 million in possible annual savings.

Strengthening the Financial Accountability of Illinois School Districts: A Report of the Education Reform Committee of the Metropolitan Mayors Caucus compares Illinois school districts' financial management and accountability standards with nationwide best practices and makes policy recommendations regarding steps Illinois should take to ensure greater financial accountability from school districts. The Civic Federation researched and wrote this study on behalf of the Metropolitan Mayors Caucus.



Illinois State Representative Julie Hamos speaks to The Civic Federation Transportation Committee



Illinois House Minority Leader Tom Cross addresses Federation Board members

“The taxpayers of Illinois and supporters of rational government have a staunch ally in The Civic Federation. Their independent, non-partisan tax policy research and budget analysis and recommendations are often essential to the General Assembly’s reform efforts.”

—Tom Cross, Minority Leader,
Illinois House of Representatives

Managing Urban Stormwater with Green Infrastructure: Case Studies of Five U.S. Local Governments examines the resources that several U.S. cities are devoting to “green infrastructure” and analyzes their early experiences with alternative stormwater management. The study provides a primer on green infrastructure and five comprehensive case studies. The Civic Federation prepared this report for the Center for Neighborhood Technology.

Dedicated Revenue Sources for State Pension Funds: A Civic Federation Issue Brief describes what dedicated revenue sources are, how they might help state pension funds,

and details recent proposals for dedicated revenue sources in Illinois. The paper then discusses important features of an effective dedicated pension revenue source.

Pension Fund Actuarially Required Contributions: A Civic Federation Issue Brief explains the term “actuarially required contribution” (ARC) and compares the annual contributions made to some of the major public pension funds in Illinois to what their ARCs would be.

Budget Analyses

The Civic Federation conducts analyses of the budgets of major taxing bodies in the City of Chicago, the Counties of Cook and DuPage, and the State of Illinois every year. Our reports evaluate the governments’ fiscal policy decisions and provide recommendations for effective financial management. In 2007 we took the following positions:

State of Illinois FY2008 Operating Budget: The Civic Federation **opposed** the massive expansion of health care and long-term borrowing proposed in the \$49.0 billion FY2008 state budget recommendation, but offered **qualified support** for the lease of the state lottery and for reasonable, limited revenue enhancements to fund education and mass transit. The Federation also urged the General Assembly to implement pension benefit reforms.

The City Colleges of Chicago FY2008 Tentative Budget: The Civic Federation **supported** the City Colleges of Chicago’s tentative \$473.6 million FY2008 budget because the district will reduce its overall property tax burden, exercise fiscal restraint, and has increased the amount of time allowed for public comment and review of the budget. The Federation was concerned, however, that the budget does not contain current personnel or enrollment projections and predicted future operating deficits.

Chicago Public Schools FY2008 Budget: The Civic Federation gave **qualified support** to the Chicago Public Schools recommended \$5.8 billion FY2008 operating budget. The district had made praiseworthy efforts to contain costs and improve bud-

get transparency. However, The Civic Federation’s support was based on the district’s pledge to develop publicly-available long-term planning processes and documents in 2008. The Civic Federation also urged the district to reduce its property tax levy by \$32 million in response to unexpected additional revenues from the State of Illinois.

Forest Preserve District of Cook County FY2008 Budget: The Civic Federation **supported** the Forest Preserve District’s proposed \$175.2 million budget because the district issued a capital improvement plan for the second consecutive year that is available on the district’s Web site. The Federation made a number of recommendations on ways to improve the financial management of the district.

City of Chicago FY2008 Budget: The Civic Federation **opposed** the City of Chicago’s proposed \$5.9 billion budget. The budget proposed an additional \$266.6 million in new spending and included a \$108.0 million property tax increase, the largest in recent Chicago history. The Federation urged the City Council to reject the 15.1% property tax increase and maintain its self-imposed property tax cap.



Chicago Transit Authority FY2008 Budget:

The Civic Federation **supported** the CTA's proposed \$1.0 billion FY2008 budget because it made the necessary fare and service changes to create a balanced budget. The Federation called on the General Assembly and Governor to pass legislation immediately that would allow the CTA to institute landmark pension and retiree health care reforms and rein in the authority's skyrocketing employee costs.

DuPage County FY2008 Budget:

The Civic Federation **supported** DuPage County's proposed FY2008 \$420.4 million budget, which included a 12.1% or \$60.1 million decrease in spending over the previous year and called for the elimination of 10% of the workforce. The Federation based its support on the county's established record of managing its existing resources and responsibly living within its means. The Federation recommended DuPage County use a performance measurement system and develop a long-term financial plan to cope with its future fiscal challenges.

Chicago Park District FY2008 Operating Budget:

The Civic Federation **supported** the Chicago Park District's \$396.9 million FY2008 budget because the district did not raise its property tax levy and continued to hold down operating costs through a combination of careful management practices, privatization of services, and public-private partnerships. However, the Federation was concerned about the decline in health of the district's pension fund and recommended a variety of pension reforms.

Metropolitan Water Reclamation District FY2008 Tentative Budget:

The Civic Federation

supported the MWRD's FY2008 budget of \$1.4 billion because it minimized the burden on taxpayers and demonstrated sound financial planning techniques. The Civic Federation is concerned about the MWRD pension fund's declining funded ratio and recommended a number of measures to improve the fiscal health of the plan.

Cook County FY2007 and FY2008 Budgets:

The county introduced its FY2007 budget two months into the 2007 calendar year and released its FY2008 budget eight months later. The Federation analyzed both.

The Civic Federation offered **qualified support** for Cook County's \$3.0 billion FY2007 budget based on the county's plan to meet its \$502 million budget deficit with substantial spending cuts, including layoffs, rather than tax increases. However, The Civic Federation opposed a plan to borrow \$104 million to make the county's FY2007 pension contribution and urged the implementation of an effective performance measurement system to improve the budgeting process.

The Federation **opposed** the Cook County **FY2008** proposed budget. The \$3.2 billion budget included a 267% increase in the county sales tax, from 0.75% to 2.75%, the addition of 1,130 new positions, and other tax hikes that could generate as much as \$979.8 million just one year after implementing a budget that made painful but necessary budget cuts. The Federation's analysis included recommendations that would both contain costs and provide much-needed improvements to the county's management of tax dollars.



Civic Federation Board member Theodore M. Swain and Cook County Assessor James M. Houlihan

“The Civic Federation’s involvement in tax policy issues has elevated the debate and increased awareness of the need to reform the property tax system, making it one of the preeminent property tax research centers in the region.”

— James M. Houlihan,
Cook County Assessor

A photograph of the Chicago skyline under a clear blue sky, featuring a mix of classical and modern architecture.

INFORMATION

“The Civic Federation represents an important bridge between the business community and government in Chicago. Through its diligence in promoting rational tax policy and efficient management of government resources, The Civic Federation helps to make government better.” —Richard M. Daley, Mayor of the City of Chicago



The Civic Federation provides objective, independent information to the public, government officials, and stakeholders on public finance and other issues facing Illinois through conferences and other outreach efforts. This year we contributed to the ongoing public dialogue on how to improve our local and state government through the following events and publications:

An Independent Board for the Cook County Bureau of Health

United States Senator Richard Durbin spoke at The Civic Federation's Annual Meeting, hosted by JPMorgan Chase, about the conclusions of a review committee he convened to evaluate the mission and future of the Cook County Bureau of Health Services. He noted the vital importance of the bureau to the county's most vulnerable citizens and urged The Civic Federation to help champion the Review Committee's key recommendation: that an independent Board of Directors be created to lead the bureau out of its financial and managerial tailspin.

A Forum on Medicaid and State Budgets

The Civic Federation, in partnership with the Federal Reserve Bank of Chicago, presented a forum on March 15, 2007 to consider the impact of Medicaid on state budgets. The forum brought together top researchers and government leaders to discuss funding and policy issues as well as best practices. Former U.S. Secretary of Health and Human Services and four-term Governor of Wisconsin Tommy Thompson gave a keynote address on the state of health care in the United States.

A Review of the State of Illinois' Finances

Illinois House Republican Leader Tom Cross and Assistant Leader Mark Beaubien presented Civic Federation members and guests with a view of the state's financial situation from the Republican perspective at a special board meeting in January that was hosted by Neal, Gerber & Eisenberg. The legislators focused on the state's ballooning Medicaid and pension liabilities and the impact they will have on the budget if changes are not made.

Understanding the Extension of the 7% Cap

Cook County Assessor James Houlihan addressed a meeting of The Civic Federation Board of Directors in September about legislative developments surrounding the extension of the expanded homeowner property tax exemption ("7% cap"). He explained the various expansion proposals, which included increased limits, and the probable timeline for their passage.

Selected Consumer Taxes in the City of Chicago

In response to the deluge of tax proposals visited upon the citizens of northeastern Illinois in the fall of 2007, The Civic Federation produced this brief which provides a compilation of selected consumer taxes, including rates and descriptions, in place in the City of Chicago as an informational resource.

Civicfed.org Named one of the Best Web Sites in Chicago

Chicago Magazine praised the breadth and quality of The Civic Federation's analyses and position papers in its article, "171 Great Chicago Web Sites," calling our site an "invaluable and free online resource for policy wonks."



(L to R) Civic Federation President Laurence Msall, Elgin Mayor Edward Schock, Midlothian Mayor Thomas Murawski, and Chicago Mayor Richard M. Daley

THE LYMAN J. GAGE AWARD

In keeping with the civic commitment and vision of its first president, The Civic Federation annually presents the Lyman J. Gage Award for Outstanding Civic Contribution to an individual who has consistently demonstrated dedication to civic concerns in the Chicago area.

- 2007 Patrick G. Ryan
- 2006 John W. Rogers, Jr.
- 2005 W. James Farrell
- 2004 Lester Crown
- 2003 William A. Osborn
- 2002 Andrew J. McKenna
- 2001 John H. Bryan
- 2000 Clark Burrus
- 1999 Ruth M. Rothstein
- 1998 James J. O'Connor
- 1997 Daniel E. McLean
- 1996 Henry Hyde
- 1995 Hillary Rodham Clinton
- 1993 William L. Weiss
- 1992 Robert W. Galvin
- 1991 Stanton R. Cook
- 1990 Richard M. Morrow
- 1989 Frank W. Considine
- 1988 James F. Bere
- 1987 Edward A. Brennan
- 1986 John E. Swearingen
- 1985 Philip M. Klutznick
- 1984 Lavern W. Kron
- 1983 Donald Regan
- 1982 Alan Greenspan

CIVIC FEDERATION AWARDS

From our founding, The Civic Federation has brought together business leaders who share an interest in making the Chicago metropolitan area a better place to live and work. Named for the Federation's founding members, the Lyman J. Gage Award and Addams-Palmer Award recognize the outstanding civic contributions of individuals and institutions whose leadership and dedication set an example for all of us.

Illinois Attorney General Lisa Madigan delivered the Salutation Address at this year's luncheon, focusing on the importance of cooperation between government and business and community leaders to resolve important issues in Illinois and Chicago. The Attorney General also had some kind words for The Civic Federation: *"For over a century, The Civic Federation has provided critical input to state, county, and local governments. Through research and analysis, The Civic Federation has taken on the toughest problems and produced clear recommendations that never shy away from the difficult details."*

Lester H. McKeever, Jr. presented the 2007 Addams-Palmer Award for Exemplary Civic Involvement to Michael H. Moskow, President and Chief Executive Officer of the Federal Reserve Bank of Chicago. In his acceptance speech, Mr. Moskow noted the Chicago Fed's civic endeavors of which he is most proud and thanked the staff of the Fed for their hard work.

Luncheon co-chairman Andrew J. McKenna presented the 2007 Lyman J. Gage Award for Outstanding Civic Contribution to Patrick G. Ryan, Executive Chairman of the Aon Corporation. Mr. Ryan spoke about his role in Chicago's bid for the 2016 Olympic Games, emphasizing the public-private partnerships and contributions of many Chicagoans that have made the bid possible.



"As I get ready to retire from the Chicago Fed, I hope that I will leave behind a strong tradition that continues, one where community leaders and organizations such as The Civic Federation look to the Chicago Fed to address local problems and to seize emerging opportunities to continue to make Chicago truly a premier city."

—Michael H. Moskow,

President and Chief Executive Officer of
the Federal Reserve Bank of Chicago



“This Olympic initiative is what the city is all about. It’s about a public-private partnership that is exemplary to the world. The Civic Federation certainly represents that. But the history of Chicago and the people that preceded Mike and I in receiving these awards have done it in the past. They have been called upon by someone who said there was a job to be done and it’s important for Chicago and would you please help. And how do you not help when the heritage of this community, the heritage of this city and the people that went before us have done so much?”

—Patrick G. Ryan,
Executive Chairman of the Aon Corporation

THE ADDAMS-PALMER AWARD

Presented for the first time in 1995, this award honors Jane Addams and Bertha Honoré Palmer, two outstanding Chicagoans who were founders of The Civic Federation. In their memory, the Addams-Palmer Award is given each year in recognition of civic achievement by an individual or institution.

- 2007 **Michael H. Moskow**
- 2006 Allstate Corporation
- 2005 William Blair & Company, LLC
- 2004 Exelon Corporation
- 2003 RR Donnelley
- 2002 Aon Corporation
- 2001 LaSalle Bank
- 2000 McDonald’s Corporation
- 1999 BP Amoco
- 1998 First Chicago NBD Corporation
- 1997 Chicago ‘96
- 1996 United Airlines, Inc.
- 1995 Sears Roebuck and Company



“For over a century, The Civic Federation has provided critical input to state, county, and local governments. Through research and analysis, The Civic Federation has taken on the toughest problems and produced clear recommendations that never shy away from the difficult details.”

—Lisa Madigan,
Illinois Attorney General



(Clockwise from top left) Civic Federation Board member Caryn Stancik and past Lyman Gage Award recipient Ruth Rothstein; Phil Clement, Ann Gariti, and Civic Federation Board member Michael O’Brien; Lester H. McKeever, Jr. and Michael Moskow; Patrick Ryan and Luncheon Co-Chairman Andrew McKenna



ACTION

“The Civic Federation has a unique position in the State of Illinois because of its strong commitment to producing independent, evidence-based research, as well as promoting good government through well-timed action.”

—Alexi Giannoulas, Illinois State Treasurer

The Civic Federation's focus on research and information creates a solid, factual foundation for public discourse. But our mission requires us to do more—to work alongside elected leaders and to enlist the public in campaigns to improve the cost-efficiency and quality of state and local government. Over the past year, The Civic Federation has taken action on a number of important policy issues that affect taxpayers in Cook County and throughout northeastern Illinois. The issues include:

CTA/RTA Reform

Through testimony before the House Mass Transit Committee, letters to the editors of Chicago area newspapers, and meetings with legislative leaders, The Civic Federation strongly supported a comprehensive solution to the CTA's fiscal crisis in 2007. The Federation advocated for the Illinois General Assembly to approve and Governor Blagojevich to sign Illinois State Representative Julie Hamos' all-inclusive mass transit legislation. In addition to increased funding, the bill included pension and retiree health care reforms and increased RTA oversight that is crucial to the long-term viability of one of Chicago's most valuable economic assets. The groundbreaking pension reforms the CTA negotiated with its unions included several long-time Civic Federation recommendations.

Tax Tsunami 2007

Taxpayers in the Chicagoland area faced a veritable tidal wave of tax increases in 2007. The Civic Federation opposed Mayor Daley's proposed 15.1% property tax hike and urged the City Council to reject it and maintain the city's self-imposed tax cap. Civic Federation President Laurence Msall testified before the City Council that Chicago had not made a compelling case for such a large tax increase. The city eventually approved a smaller property tax increase. Cook County Board President Todd Stroger originally balanced his proposed budget upon a 267% increase in the county's share of the sales tax that could generate nearly a billion dollars when fully implemented.

It would also have given Chicago by far the highest cumulative sales tax in the nation. The Federation's opposition was noted in numerous newspaper articles, television news interviews, and radio news segments. The County Board approved a one percentage point sales tax hike in March 2008.

Separation of the Cook County Health Bureau

At the request of United States Senator Richard Durbin, The Civic Federation ratcheted up our previous efforts to separate the County Health Bureau from the often derelict oversight of the Cook County Board of Commissioners. The Federation was pleased to have the support of so many civic, business, and government leaders in calling for the immediate creation of an independent board of governors for Cook County's beleaguered Bureau of Health Services. The Federation effectively lobbied in favor of the separation with specific recommendations regarding the role and responsibilities of an independent board. We also took our case to the public through letters to the editor and to the county by testifying before a special Task Force on Independent Governance of the Cook County Bureau of Health.

Transfer of Forest Preserve Funds to Cook County

In February 2007, a majority of the double-duty commissioners who govern both Cook County and the Cook County Forest Preserve District voted to transfer \$13.3 million in district capital funds to the county to help balance the county's budget.



Illinois State Treasurer Alexi Giannoulias at a Civic Federation Board meeting



Civic Federation President Laurence Msall testifies before the Illinois House of Representatives about the proposed lease of the Illinois Lottery



Civic Federation President Laurence Msall speaks to the Chicago School Board

“Chicago Public Schools greatly values The Civic Federation as an important advocate for efforts to continually improve the efficiency and accountability of Chicago’s governments.”

—Arne Duncan, Chicago Public Schools Chief Executive Officer

This was only the latest example in a long line of conflicts of interest that have plagued the preserves and contributed to their poor physical condition. The Civic Federation denounced the transfer and renewed our long-standing call to create a separate elected Board of Commissioners to govern the preserves in a featured letter to the editor published in the *Chicago Sun-Times*.

Long-Term Lease of the Illinois Lottery

The Civic Federation was asked to testify before the entire Illinois House of Representatives in a special session called by Governor Blagojevich in July. Civic Federation President Laurence Msall presented the Federation’s assessment of the Governor’s lottery lease proposal before the Illinois House Committee of the Whole. (See picture, above.) Msall emphasized the need to reduce the cost of the pension program through reforms the Federation has long proposed, such as a moratorium on new pension benefits. Msall testified that the Federation could support the extraordinary course of leasing the lottery, but only if all proceeds were used to pay down the unfunded liability on the pension plans and that the state commit to funding the normal operating cost of the pension benefits each year with that year’s operating revenue.

Mayor Daley’s 21st Century Commission

Chicago Mayor Richard Daley asked Civic Federation President Laurence Msall to participate in a blue-ribbon panel to study ways to streamline city government. The group is composed of civic, academic, and business leaders, including Federation Chairman Barbara Stewart. Federation members are also assisting with the commission’s work. The Civic Federation’s priorities for the commission will include pension reform, alternative service delivery and privatization, and the city’s infrastructure needs.

Civic Federation Wins Governmental Research Association’s Outstanding Policy Achievement Award

The national Governmental Research Association’s (GRA) Outstanding Policy Achievement Award aims to recognize nationally significant improvements to public policy, management, service delivery, or cost savings resulting from the research and recommendations of a governmental research agency. The Civic Federation’s report, “A Call for the Elimination of the Suburban Cook County Tuberculosis Sanitarium District” and subsequent work with local and state officials, media, and the public to end the anachronistic taxing district were all considered in the Federation’s entry submission. Illinois Governor Rod Blagojevich signed the bill which dissolved the district into law in July 2006.

SUPPORT

The Board of Directors of The Civic Federation is the heart and “brain trust” of all that the organization accomplishes. Our Board is a diverse and highly talented group of business and professional leaders from a wide range of Chicago area companies and institutions. Board members make our success possible by giving generously of their time and expertise in the planning and execution of our mission to provide a non-partisan, objective perspective on state and local government tax and finance issues. In our system of Board committees, members of different interests and skills debate and discuss issues with staff and each other, ensuring a rigorously vetted research process and policy analysis that reflects the highest standards of our business and civic community.

(L to R) Civic Federation Chairman Barbara Stewart, United States Senator Richard Durbin, and Federation Vice-Chairman George Lofton



(L to R) Deputy Director of Illinois State Senate Republican Committee Staff Peg Mosgers, Civic Federation Board member Monica Mueller, and Federation President Laurence Msall



(L to R) Illinois Finance Authority Executive Director John Filan, Civic Federation Board member Patrick Hagan, William Daley, Jr., and Board member William Mack



(L to R) Chicago Transit Authority President Ron Huberman and Civic Federation Board member Timothy J. Faerber





(L to R) Civic Federation Vice President and Research Director Lise Valentine and Federation Board members James Spiotto and Richard Ciccarone



“The Civic Federation brings together business and professional leaders with an unflagging commitment to improving governments throughout Chicago and the State of Illinois.”

—Aileen Blake,
Executive Vice President and
Corporate Controller for the
Northern Trust Corporation

New members

The Civic Federation welcomed ten new members who joined in 2007 at our Annual Meeting:

- Brian Bernardoni, Chicago Association of Realtors
- Whitney Carlisle, McCracken, Walsh and de LaVan
- Elizabeth Gallagher Coolidge, Lehman Brothers
- Michael Lovett, PricewaterhouseCoopers
- Glenn Mazade, Charter One Bank
- Gregory O’Leary, Chesley, Taft & Associates
- Kathleen Pasulka-Brown, Foley & Lardner
- Caryn Stancik, Metropolitan Chicago Healthcare Council
- Jerrold Wolf, Public Consulting Group
- John Sciacotta, Shesky & Froelich
- William Mack, Morgan Stanley, was elected to the Executive Committee.

Committees of The Civic Federation

- Executive Committee— Barbara Stewart, Chairman
- DuPage Committee – Bert Nuehring, Chairman
- Pension Committee – Richard Ciccarone and James Spiotto, Co-Chairmen
- Research Committee – A.G. Anglum, Chairman
- State Budget Committee – Carol Garnant and Joseph Starshak, Co-Chairmen
- Tax Committee – Thomas McNulty, Chairman
- Transportation Committee – Joseph Starshak, Chairman



STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

ASSETS	2007	2006
Cash and cash equivalents	\$ 479,956	\$ 153,342
Investments	2,101,157	2,231,048
Receivables	58,300	34,800
Investment in pooled trust	25,300	89,600
Prepaid expenses	1,523	--
Total Assets	\$2,666,236	\$2,508,790

LIABILITIES AND NET ASSETS

LIABILITIES	2007	2006
Deferred rent	\$ 16,137	\$ 16,953
Accounts payable	2,086	--
Accrued wages	17,980	48,949
Accrued vacation	7,332	7,333
Total Liabilities	43,535	73,235

NET ASSETS

Unrestricted		
Undesignated	\$ 487,186	\$ 114,907
Board-designated	2,101,157	2,231,048
Total Unrestricted	2,588,343	2,345,955
Temporarily Restricted	\$ 34,358	\$ 89,600
Total Net Assets	2,622,701	2,435,555
Total Liabilities and Net Assets	2,666,236	2,508,790



Speakers at The Civic Federation and Federal Reserve Bank of Chicago's Forum on Medicaid and State Budgets



(L to R) Civic Federation Board member Adrienne Archia, Chicago Alderman Manny Flores, and Award Luncheon guest Marquis Miller



(L to R) Civic Federation President Laurence Msall and former United States Secretary of Health and Human Services Tommy Thompson

2007-2008 OFFICERS

Barbara Stewart
Chairman

Sarah Garvey
Vice Chairman

George Lofton
Vice Chairman

Thomas J. McNulty
Vice Chairman

Joseph B. Starshak
Treasurer

Laurence J. Msall
President

Lise Valentine
Vice President

2008 STAFF

Laurence J. Msall
President

Lise Valentine
Vice President & Research Director

Roland Calia
Project Manager

Sarah Wetmore
Director of Communications

Susan Charrette
Operations Manager

Genevieve Nolan
Senior Research Associate

Peter Matuszak
Senior Analyst

R. Zach Thomas
Communications Specialist

Clara Botstein
Research Associate

Carla Reyes
Research Associate

Tiffany Butler
*Event Planning and
Communications Assistant*

Helen Jackson
Administrative Assistant

THE CIVIC FEDERATION

177 N. State, Suite 400
Chicago, Illinois 60601
Phone: 312 201-9066
Fax: 312-201-9041
www.civiced.org

2008 BOARD OF DIRECTORS

Catherine M. Adduci
Unisys Corporation

Allan Ambrose
The Northern Trust Company

Bridget M. Anderson
KPMG LLP

A.G. Anglum
Harris Bank

Adrienne Archia
Rice Financial Products Company

Murray Ascher
Henry Crown & Company

Alicia Berg
Columbia College Chicago

Abel E. Berland

Brian A. Bernardoni
Chicago Association of Realtors

Roger Bickel
Freeborn & Peters LLP

J.D. Bindenagel
DePaul University

Aileen Blake
The Northern Trust Company

Douglas H. Cameron
HIGroup, LLC

Whitney Carlisle
McCracken, Walsh & de LaVan

Richard Ciccarone
*McDonnell Investment
Management, LLC*

Jerry Cizek III
*Chicago Automobile Trade
Association*

Elizabeth Gallagher Coolidge
*Siebert Brandford Shank
& Co., LLC*

Mark Davis
O'Keefe Lyons & Hynes, LLC

Amy Anderson Day
McGuire Woods Consulting

Kevorik M. Derderian
Continental Offices Ltd.

Jon B. DeVries
Roosevelt University

Julian C. D'Esposito
Mayer Brown

Thomas H. Donohoe
McDermott Will & Emery LLP

Martin L. Eisenberg
ABN AMRO Bank N.V.

Brian D. Fabes
Civic Consulting Alliance

Timothy J. Faerber
HNTB Corporation

Timothy Fair
Tribune Company

Stephen B. Friedman
S.B. Friedman & Company

Charles R. Gardner
CDCT Land Company, LLC

Carol W. Garnant
Navistar, Inc.

Sarah Garvey
Anthony G. Gedeller
Wm. Wrigley Jr. Company

Peter G. Glick
*Wells Fargo Brokerage
Services, LLC*

Judith A. Gold
Perkins Coie LLP

Patrick Hagan
Deloitte LLP

Philip D. Hale
Loyola University Chicago

Albert C. Hanna
Draper and Kramer, Incorporated

Bruce T. Hopple
UGL Equis

Margaret A. Houlihan
United Airlines - WHQGV

Lorna Brett Howard
Thomas J. Klutznick
Thomas J. Klutznick Company

James Kranjc
Ryan & Company

Stephen Legatzke
*Goldberg Kohn Bell Black
Rosenbloom & Moritz, Ltd.*

Thomas E. Livingston
CSX Transportation

George Lofton

Michael A. Lovett
PricewaterhouseCoopers LLP

William D. Mack
Morgan Stanley

Glenn Mazade
Charter One Bank

Susan L. McKeever
Attorney at Law

Thomas J. McNulty
Neal, Gerber & Eisenberg LLP

Eileen Mitchell
AT&T Illinois

Fred H. Montgomery
Sara Lee Corporation

Timothy E. Moran
Schmidt Salzman & Moran, Ltd.

Monica Mueller
Motorola, Inc.

Michael E. Murphy
Sara Lee Corporation

Bert Nuehring
Crowe Horwath LLP

Michael F. O'Brien
Aon Center

Holly O'Connor
True Partners Consulting LLC

Gregory J. O'Leary
Chesley, Taft & Associates, LLC

William F. Paparella
RR Donnelley

Robert Pasin
Radio Flyer Inc.

Kathleen R. Pasulka-Brown
*Pugh, Jones, Johnson &
Quandt, P.C.*

Dorice Pepin
WTAS

Donovan Pepper
Walgreen Company

John H. Peterson
William Blair & Company, LLC

Erika Poethig
MacArthur Foundation

Alexander I. Rorke
UBS Investment Bank

Scott Saef
Sidley Austin LLP

John C. Sciacotta
Shefsky & Froelich

James E. Spiotto
Chapman and Cutler

Caryn Stancik
*Metropolitan Chicago Healthcare
Council*

Joseph B. Starshak
Starshak Winzenburg & Co.

Barbara Stewart
JPMorgan Chase

Theodore M. Swain
Gould & Ratner LLP

Kent Swanson
The John Buck Company

Courtney A. Thompson
The Boeing Company

Thomas C. Vanden Berk
*Uhlich Children's Advantage
Network*

Robert Vihon
Worsek & Vihon LLP

Sue E. Wallace
Exelon

John F. Ward, Jr.
O'Keefe Lyons & Hynes, LLC

Jerrold Wolf
Public Consulting Group

Philip Zinn
PricewaterhouseCoopers LLP

2007 ADDITIONAL SUPPORTERS

Hall Adams, Jr.

Garland H. Allen

John J. Amore

Anthony Anderson

Donna Baker

Frank Beal

Mel E. Bergstein

David W. Bernauer

Carol L. Bernick

Henry Bienen

David Blake

H. Woods Bowman

Edward A. Brennan

John Bucksbaum

Dean L. Buntrock

John A. Canning Jr.

Charles P. Carey

Nora Moreno Cargie

Greg Carlin

Frank M. Clark

Richard G. Cline

Thomas A. Cole

Ellen Costello

Lester & Susan Crown

James M. Denny

Craig J. Duchossois

Terrence A. Duffy

Julie Emms

Michael W. Ferro, Jr.

William C. Foote

Mr. & Mrs. David W. Fox

James S. Frank

Donna Funk

William M. Goodyear, Jr.

James A. Gordon

David L. Grange

Joseph A. Gregoire

Kenneth C. Griffin

Dean M. Harrison

John W. Higgins

Jeremy Hobbs

Patricia J. Hurley

Mr. & Ms. Verne G. Istock

Richard M. Jaffe

Edgar D. Jannotta, Sr.

Valerie B. Jarrett

Dennis J. Keller

John P. Keller

Steven H. Lesnik

Edward M. Liddy

Julian C. Mack

John W. McCaffrey

Raymond F. McCaskey

Andrew J. McKenna

Richard A. Melman

Mr. & Ms. Robert Morrison

Richard M. Morrow

Gary L. Mowder

Dawn Clark Netsch

William A. Osborn

Faye T. Pantazelos

Robert L. Parkinson Jr.

Mr. & Ms. Jerry K. Pearlman

Peer Pedersen

Bruce J. Piller

Gerald Ratner

Christopher Reyes

Andre Rice

John W. Rogers Jr.

Mr. & Mrs. Patrick Ryan

Michael J. Sacks

John Sandner

Gordon I. Segal

James A. Skinner

Don Sloane

David B. Speer

Harrison I. Steans

Robert D. Stuart Jr.

Scott C. Swanson

Mr. & Mrs. Richard Thomas

Byron D. Trott

Arnold Weber

David B. Weinberg

Mr. & Ms. Robert J. Welsh

Bruce W. White

Miles D. White