

*Note: These minutes are not official until approved by the Finance Committee at a subsequent meeting. Please refer to the meeting minutes when these minutes are approved to obtain any changes to these minutes.*

DeKalb County Government  
Sycamore, Illinois

**Finance Committee Minutes  
June 7, 2017**

The Finance Committee of the DeKalb County Board met on Wednesday, June 7, 2017, at 7:00 p.m. in the Administration Building's Conference Room East. Vice Chairman Cribben called the meeting to order. Those members present were Mr. Jones, Ms. Leifheit, Mr. Luebke, Ms. Polanco, and Mr. Reid. Chairman Stoddard was absent. A quorum was established with six Members present and one absent.

Others that were present included Gary Hanson, Pete Stefan, Jim Scheffers, Joan Hanson, Mark Pietrowski, Greg Millburg, Chief Deputy Sullivan, and Roy Plote.

**APPROVAL OF THE MINUTES**

Mr. Reid requested that additional comments were added to the minutes regarding statements made by Waste Management explaining the type of special waste that is being brought into the DeKalb County Landfill.

**It was moved by Mr. Luebke, seconded by Ms. Leifheit, and it was carried unanimously to approve the minutes of the May 3, 2017 Finance Committee Meeting as amended.**

**APPROVAL OF THE AGENDA**

**It was moved by Mr. Jones, seconded by Mr. Luebke and it was carried unanimously by voice vote to approve the agenda as presented.**

**PUBLIC COMMENTS**

There were no public comments.

**ANNUAL REPORT OF COMPLIANCE WITH THE BOND RECORD KEEPING POLICY**

Mr. Stefan presented the annual report that demonstrates compliance with the Bond Record Keeping Policy so that bond interest costs can be maintained at lower tax-exempt levels. These included the: 2005 PBC Lease Bonds, 2010A Building America Bonds, and 2010B Recovery Zone Bonds. He also reported the figured presented represented that there is no rebate liability due to the U.S. Treasury for arbitrage.

**It was moved by Mr. Jones, seconded by Mr. Lubeke and it was carried unanimously to accept and place on file the 2016 Annual Report of Compliance with the Bond Record Keeping Policy.**

## **FUND BALANCE REPORTING & FLOW OF FUNDS POLICY ANNUAL REPORT**

Mr. Stefan presented and reviewed with the Committee the recommendations for fund balance allocations as of December 31, 2016 in accordance with the Fund Balance Reporting & Flow of Funds Policy.

Mr. Stefan reviewed that the Non-Spendable Fund Balance for the General Fund ending December 31, 2016 is \$311,087. The Unassigned Fund Balance amount is \$7,024,461 which comes out to be 26.1% of General Fund expenditures. He reminded everyone that their policy calls for 28%. He additionally added that putting the budget document together, they projected a balance of 26.4% and that it would fall to 23%, so they are currently falling better than they had assumed last year while putting the budget together. Throwing in the non-spendable amount, it would bring the balance to 27%, which is still under the 28% threshold. Mr. Stefan reminded that balancing the FY 2017 budget is the first step in preserving and hopefully building back up those Fund Balance reserves.

**It was moved by Ms. Leifheit, seconded by Mr. Reid and it was carried unanimously by voice vote to accept and place on file the 2016 Annual Fund Balance Reporting & Flow of Funds Policy.**

## **FY 2018 BUDGET CALENDAR AND PROCESS**

Mr. Stefan presented the proposed the FY 2018 Budget Calendar and Budget Process for approval. He noted that the process is similar to what the process has been in years past and that the main focus will be to continue to provide a Balanced Budget.

## **MOODY'S CREDIT OPINION ON COUNTY'S BOND ISSUE**

Mr. Stefan shared that the latest report from Moody's Investor's Service has assigned a Aa1 rating to DeKalb County, IL's \$33.1 million General Obligation (GO) Bonds (Alternate Revenue Source), Series 2017. Concurrently, Moody's has maintained the Aa1 rating on the County's previously issued GO debt. Inclusive of the current sale, the county will have \$45.9 million in Moody's rated GO debt. The Aa1 rating reflects county's moderately sized tax base with institutional presence of Northern Illinois University (NIU, revenue rated Baa3 RUR); expected maintenance of healthy reserves; and moderate debt and pension burdens. The County's current credit strengths include: Healthy reserves and liquidity, Sizable tax base with institutional presence of Northern Illinois University (Baa3 RUR), Manageable long-term liabilities. The credit challenges identified continue to be: High overlapping debt burden and slow principal amortization of direct debt, Weak full value per capita, Moderate operating challenges related to increased public safety expenditures, and recent sales tax receipt declines expected to be offset with budgetary adjustments in fiscal 2017 Rating Outlook. Mr. Stefan added that although they would have liked to have received the highest Aaa rating, they are pleased to have maintained the Aa1 credit rating.

## **ORDINANCE FOR ISSUANCE OF BONDS**

Mr. Stefan reviewed that the bonds are scheduled to be sold the morning of the County Board Meeting, June 21, 2017. There will be a 15 minute internet sale. From 10:00 a.m. to 10:15 a.m. the window will open and anyone who is bidding must pre-register. Once you are registered, you can bid as many times as you want in the 15 minute window but you will not be able to see the other firm's bids but you will be able to see your rank. The bidding will end the later of the 15

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minute window or when a bidder has been at the top spot for two consecutive minutes. The bids will then be verified and the winning bidder will be notified and at that time there may be a potential to resize the maturities.

That afternoon, the Bond Council will fill in all of the blanks of the Ordinance and then it will be sent to the County and placed on the tables for a final vote by the full County Board that evening. Speer Financial will have a representative at the Board Meeting that will have a written summary report and will present the recommendation to accept the bid or not.

**It was moved by Mr. Jones, seconded by Mr. Reid and it was carried unanimously to forward the Ordinance to the full County Board recommending its approval once all the amounts are identified.**

### **SHERIFF'S COMMUNICATION SYSTEM PRELIMINARY FINANCING PLAN**

Mr. Hanson shared that he first wanted to present this proposal to the Finance Committee prior to the full presentation that will be formally heard by the Law & Justice Committee at the end of July in order for the Finance Committee to get an idea of the figures that this project will be proposed to cost.

Mr. Hanson shared that the project at hand is to replace the Sheriffs radio communication system because the current system no longer provides adequate reception/transmission in all parts of the County, the current technology is outdated, and the infrastructure for the existing radio system is a conglomeration of fixes and patches that does not lend itself to supporting the new radio technology. The timeline of the project is for the County Board will be asked to make a decision on August 16, 2017. If approved, a formal start date will be on or about September 1, 2017. The project is expected to last 14 months.

The budget requested is not to exceed \$4,000,000. This amount would cover the County's costs. An additional estimated cost of \$1,055,000 is possible by other police and fire agencies if they elect to purchase new radios. A summary of expenses was reviewed with the Committee. Monies to fund the County's portion of this project would come from (a) the Community Host Agreement fee for special waste that was approved by the County Board, (b) the Sheriffs Special Projects fund, and (c) a possible contribution from the ETSB (E-911) Board.

The revenue source for this project is not available up-front so monies will need to be borrowed. The availability of the revenue is also unpredictable and will ebb and flow with events that generate the special waste that is taken to the landfill. Therefore, utilizing internal borrowing of both County and Public Building Commission funds, as was done for the first 18 months of the Jail Expansion project, is planned. The internal borrowing concept provides maximum flexibility as it relates to meeting project costs and for minimizing borrowing periods. Borrowing funds for this project could last many years. Interest will be paid on any borrowed funds and while the initial interest rate is projected to be 3%, the interest rate charged will need to be a flexible rate to protect against inflation for the County departments that loan the money. Mr. Hanson also reviewed the possible loan repayment scenarios based on various revenue possibilities.

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**UPDATE ON CONTRACT EXTENSION FOR UTILITIES AND TAX SOFTWARE**

Mr. Stefan shared that the County's Devnet (tax software) contract was up. This is proprietary software and they really have no other options than to renew with Devnet. He shared that the proposal came in at a 5% increase and then flat for 5 years and that is how it has been structured since the beginning. This software is used by multiple departments and it could have fallen under the Elected Official Exemption but because there are other Appointed Department that use it, he felt it best to bring to the Finance Committee for approval of the five-year contract.

**It was moved by Mr. Reid, seconded by Mr. Jones and it was approved unanimously to enter into a contract with Devnet for another five years.**

Facilities Management Director Jim Scheffers reviewed that last month the Committee agreed to let him extend his electrical and gas contracts for one more year so that he would be able to bundle everything together under one contract when the Jail Expansion was completed. He wanted to come back and report that he was able to negotiate a better price with natural gas for the year. The County is looking at a costs saving for next year for about \$9,700.00 for natural gas. Because of an added line charge, Mr. Scheffers is expecting to only save about \$1,700.00 for electric. He reminded that he still plans on going out for bid once the Jail Expansion is complete in hopes to package everything together and negotiate and lock in a better deal for the future.


**OLD BUSINESS / NEW BUSINESS**

It was announced that the Finance Committee will not be meeting in July due to the summer recess and that the Audit Presentation is scheduled to be at the August 2<sup>nd</sup> Meeting.

**ADJOURNMENT**

**It was moved by Mr. Luebke, seconded by Mr. Jones, and it was carried unanimously to adjourn the meeting.**

Respectfully submitted,



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Paul Stoddard, Chairman



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Tasha Sims, Recording Secretary

## **DEKALB COUNTY FINANCE OFFICE**

### **ANNUAL REPORT OF COMPLIANCE WITH THE BOND RECORD KEEPING POLICY**

#### **Report for 2016**

The Finance Office is responsible for reporting on the County's compliance with the County's Bond Record Keeping Policy which was adopted on November 16, 2012.

DeKalb County's Chief Financial Officer (and Bonds' Compliance Officer), Peter Stefan, reports that all required records for all applicable bond issues, have been maintained and stored. This includes Closing Transcripts and Debt Obligations for the 2005 PBC Lease Bonds (which was the refinancing of the 1997 Health Facility Bond Issue), as well as the 2010A "Build America Bond" Issue and the 2010B "Recovery Zone Bond" Issue. This also includes true, correct, and complete counterparts of each and every document and agreement delivered in connection with the issuance of the Obligations, including without limitation (a) the proceedings of the County authorizing the obligations, (b) any offering document with respect to the offer and sale of the Obligations, (c) any legal opinions with respect to the offer and sale of Obligations delivered by any lawyers, and (d) all written representations of any person delivered in connection with the issuance and initial sale of all Obligations.

The Arbitrage Rebate Liability regarding these bonds for 2016 is indicated below:

2005 PBC Lease Bonds	Interest Paid-\$ 13,978	Interest Earned-\$ 617
2010A Build America Bonds	Interest Paid-\$284,157	Interest Earned-\$1,152
2010B Recovery Zone Bonds	Interest Paid-\$310,108	Interest Earned-\$ 333

These figures represent that there is no rebate liability due to the U.S. Treasury for arbitrage.

The DeKalb County Compliance Officer also reports that all requisitions, invoices, and receipts and other information that may be needed in order to establish that the interest paid on the Obligations is entitled to be excluded from "gross income" for federal income tax purposes has been preserved.

(Continued)

(Continued)

**Report for 2016 (Continued)**

All retained records are kept for as long as the Obligations relating to such records (and any Obligations issued to refund the Obligations) are outstanding, plus three years and include:

- (a) complete copies of the bond transcripts delivered when the Obligations were initially issued and sold;
- (b) copies of account statements showing the disbursement of all bond proceeds for their intended purposes;
- (c) copies of account statements showing all investment activity of any and all accounts in which the proceeds of any Obligations have been held;
- (d) copies of all bid requests and bid responses used in the acquisition of any special investments used for the proceeds of any tax-exempt bond obligations, including any sways, swaptions, or other financial derivatives entered into with respect to any tax-exempt bond obligations in order to establish that such instruments were purchased at *fair market value*;
- (e) copies of any subscriptions to the U.S. Treasury for the purchase of State and Local Government Series (SLGS) obligations;
- (f) any calculations of liability or *arbitrage rebate* that is or may become due with respect to any issue of tax-exempt bond obligations, and any calculations prepared to show that no arbitrage rebate is due, together, if applicable, with account statements or cancelled checks showing the payment of any rebate amounts to the U.S. Treasury together with any applicable IRS Form 8038-T; and
- (g) copies of all contracts of the County, including any leases, with respect to the use of any property owned by the County and acquired or financed with the proceeds of tax-exempt bond obligations, any part of which property is used by a private person at any time when such bonds are or have been outstanding.

End

# DEKALB COUNTY GOVERNMENT

## FUND BALANCE REPORTING & FLOW OF FUNDS POLICY

### 2016 ANNUAL REPORT

#### **Background**

The Governmental Accounting Standards Board (GASB), the rule-making authority for governmental accounting, has issued a pronouncement (GASB Statement #54) relating to how governmental entities report fund balance. The pronouncement made reporting more consistent and much clearer to not only regular users of financial statements, but also for the layperson. The terms are intended to be easy to use and implement and to provide a logical framework for presenting the fund balance.

GASB # 54 identified five levels of restrictions on fund balance, listed below in hierarchy from most constrained to the least constrained:

1. Non-Spendable –noncash items (prepaid, inventory) or endowments
2. Restricted – limited by external actions, such as Federal or State law
3. Committed – self-imposed restraints at the highest level of decision making
4. Assigned - for a specific intended purpose
5. Unassigned - anything left over and available

#### **Annual Review of Policy Statement Implementation**

DeKalb County Government does comply with GASB #54 by assigning and reporting fund balances in all of the various governmental accounting funds to one or more of the five levels of restrictions denoted by the Governmental Accounting Standards Board. In accordance with the County's policy adopted on November 16, 2011 on this issue, the County spends the most restricted dollars before the less restricted dollars in the same order as noted above.

The County's Chief Financial Officer makes the annual allocations of fund balances prior to the end of each fiscal year and the same is then reflected in the County's annual audit report. The Finance Committee reviews these fund balance allocations as part of the acceptance process of the audit report, making sure that the allocations are reflective of the County's mission and operating goals, for the various governmental funds. The Finance Committee made no changes during the 2016 calendar year.

#### **Proposed Fund Balance Allocations for 2016**

Attached are the proposed fund balance allocations for 2016 that will be incorporated into the Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2016.

**Proposed Fund Balance Allocations  
for Governmental Funds  
as of December 31, 2016**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
<b><u>Non-Spendable</u></b>					
Non-Spendable - Prepaid Items	311,087	142,559	-	224	453,870
Total Non-Spendable Fund Balance	311,087	142,559	-	224	453,870
<b><u>Restricted</u></b>					
Restricted for Debt Service	-	-	1,430,207	-	1,430,207
Restricted for Retirement	-	498,848	-	-	498,848
Restricted for Public Buildings	-	5,461,840	-	-	5,461,840
Restricted for Micrographics	-	79,463	-	-	79,463
Restricted for Tax Sale Automation	-	201,646	-	-	201,646
Restricted for History Room	-	42,347	-	-	42,347
Restricted for Fiber Optic Network	-	1,007,681	-	-	1,007,681
Restricted for Evergreen Village	-	3,848	-	-	3,848
Restricted for Judiciary Activities	-	1,746,863	-	-	1,746,863
Restricted for Police Activities	-	589,162	-	-	589,162
Restricted for Highways and Streets	-	11,536,406	-	-	11,536,406
Restricted for Health and Welfare	-	6,142,859	-	-	6,142,859
Total Restricted Fund Balance	-	27,310,963	1,430,207	-	28,741,170
<b><u>Unrestricted</u></b>					
Assigned for Capital Purposes	-	-	-	12,892,677	12,892,677
Assigned for Bike Paths	-	-	-	55,000	55,000
Total Assigned Fund Balance	-	-	-	12,947,677	12,947,677
<b>Unassigned Fund Balance</b>					
	Remaining Balance	Any Deficit Balance	Any Deficit Balance	Any Deficit Balance	Remaining Balances/Deficits
Estimated Amount of Unassigned Fund Balance	7,024,461	(7,281)	-	(7,218,812)	(201,632)
<b><u>Total Fund Balance</u></b>					
Estimated Amount of Total Fund Balance	7,335,548	27,446,241	1,430,207	5,729,089	41,941,085

*Note: Final amounts subject to audit adjustments.*



**DEKALB COUNTY GOVERNMENT**  
**FY 2018 BUDGET**  
**January 1, 2018 thru December 31, 2018**

**CALENDAR & PROCESS**

- June 7, 2017 Finance Committee adopts budget calendar, budget process, and confirms directive to present a balanced budget for FY 2018.
- June 23, 2017 Budget request forms and instructions distributed to all departments. County Board members also receive a form to submit for areas that they feel should be specifically addressed and/or studied.
- July 5, 2017 County Administrator and Finance Director begin to meet with County Board members individually, for those who so desire, to discuss the budgets for their Committees and any special areas of interest.
- Aug 7, 2017 Budget request forms are due back to the Finance Office. Departments are expected to submit budgets in accordance with the direction provided. Narratives may be included which outline any concerns the Department has with the direction provided.
- Sept 6, 2017
1. Budget workbooks are electronically distributed to County Board members. This workbook will include copies of all documentation submitted by Departments.
  2. Finance Committee receives a recommendation on the entire budget from the County Administrator and Finance Director. The proposal will include recommendations for department staffing and line items which could be changed through an appeal process open to both Board members and Department Heads.
  3. Finance Committee sends the budget recommendation to the County Board to place it on file for public inspection.
- Sept 20, 2017
1. County Administrator and Finance Director hold a “Question & Answer Forum” for County Board members to further clarify the rationale behind the budget recommendations. This will be at 5:45 p.m. prior to the monthly County Board meeting.
  2. County Board places the budget recommendation on file for public inspection

**DEKALB COUNTY GOVERNMENT**  
**FY 2018 BUDGET**  
**January 1, 2018 thru December 31, 2018**

**CALENDAR & PROCESS - CONTINUED**

- Sept 27, 2017 Last day for County Board members or Department Heads to file an appeal concerning Administrative budget recommendations. Appeals will then be reviewed by the appropriate Board Committee. If the Committee concurs with the appeal, it will then be forwarded to the Finance Committee for a decision in November.
- Sep 28, 2017 Board Committees begin budget discussions. Focus will be primarily on areas which are appealed from the Administrative recommendation.
- Oct 21, 2017 Publish first notice of public hearing on proposed Budget and Tax Levy.
- Oct 25, 2017 Publish second notice of public hearing on proposed Budget and Tax Levy.
- Oct 31, 2017 Board Committees complete reviews of any appeals which were filed concerning budgets for which they have oversight.
- Nov 1, 2017 Finance Committee hosts public hearing on the proposed Budget and on the proposed Tax Levy. Any appeals successful at the Standing Committee level are decided at this meeting. Overall final budget adjustments are made at this time, and the entire budget is forwarded to the County Board for adoption.
- Nov 15, 2017 County Board adopts the Annual Budget and the Tax Levy Ordinance prior to the start of the fiscal year on January 1, 2018.

## CREDIT OPINION

31 May 2017

New Issue

Rate this Research >>

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## De Kalb (County of) IL

New Issue - Moody's assigns Aa1 to De Kalb County, IL's GO Bonds

### Summary Rating Rationale

Moody's Investor's Service has assigned a Aa1 rating to De Kalb County, IL's \$33.1 million General Obligation (GO) Bonds (Alternate Revenue Source), Series 2017. Concurrently, Moody's has maintained the Aa1 rating on the county's previously issued GO debt. Inclusive of the current sale, the county will have \$45.9 million in Moody's rated GO debt.

The Aa1 rating reflects county's moderately sized tax base with institutional presence of Northern Illinois University (NIU, revenue rated Baa3 RUR); expected maintenance of healthy reserves; and moderate debt and pension burdens.

### Credit Strengths

- » Healthy reserves and liquidity
- » Sizable tax base with institutional presence of Northern Illinois University (Baa3 RUR)
- » Manageable long-term liabilities

### Credit Challenges

- » High overlapping debt burden and slow principal amortization of direct debt
- » Weak full value per capita
- » Moderate operating challenges related to increased public safety expenditures, and recent sales tax receipt declines expected to be offset with budgetary adjustments in fiscal 2017

### Rating Outlook

Outlooks are usually not assigned to local government credits with this amount of debt.

### Factors that Could Lead to an Upgrade

- » Strengthening of demographic profile and full value per capita coupled with a continuation of positive valuation trends
- » Moderation of the county's overlapping debt burden

### Factors that Could Lead to a Downgrade

- » Increase in the county's debt or pension liabilities

» Failure to restore operational balance as projected resulting in decline in reserves and liquidity

## Key Indicators

Exhibit 1

De Kalb (County of) IL	2011	2012	2013	2014	2015
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$ 6,445,823	\$ 6,093,284	\$ 5,591,428	\$ 5,184,685	\$ 5,090,789
Full Value Per Capita	\$ 61,574	\$ 58,131	\$ 53,343	\$ 49,416	\$ 48,788
Median Family Income (% of US Median)	111.0%	110.4%	110.2%	109.6%	106.4%
<b>Finances</b>					
Operating Revenue (\$000)	\$ 36,094	\$ 36,258	\$ 35,963	\$ 35,580	\$ 36,444
Fund Balance as a % of Revenues	81.6%	83.2%	84.9%	84.1%	80.9%
Cash Balance as a % of Revenues	78.5%	81.3%	80.9%	82.2%	77.4%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$ 16,629	\$ 6,841	\$ 17,195	\$ 14,438	\$ 13,636
Net Direct Debt / Operating Revenues (x)	0.5x	0.2x	0.5x	0.4x	0.4x
Net Direct Debt / Full Value (%)	0.3%	0.1%	0.3%	0.3%	0.3%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	1.5x	1.5x	1.6x	2.0x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	0.9%	1.0%	1.1%	1.4%

The above metrics do not include the current issuance or the county's 2017 valuation, which are discussed below. Post sale the county's debt will be 0.8% of full value and 1.3 times operating revenues.

Source: Audited financial statements, Moody's Investors Service; US Census Bureau

## Detailed Rating Considerations

### Economy and Tax Base: Moderately Sized Tax Base with University Presence

The county's economy will continue to benefit from the institutional presence of Northern Illinois University as well as ample room for development. The county's large \$5.6 billion tax base realized growth of 6.8% in 2017 after falling a cumulative 24.0% from 2011 to 2015. Recent development includes an expansion of 3M Company (A1 Stable) warehouse and a Target Corp. (A2 Stable) distribution center. The institutional presence of Northern Illinois University, the largest employer in the county (9,094 full, part-time and student employees) and third largest public university in the state, provides some stability to the local economy. The large student population, which includes over 16,000 students, likely depresses the county's median family income (106.4% of the US median), which is below average for the rating category. As of March 2017, the county's unemployment rate of 5.3% was above the state (4.7%) and nation (4.6%) over the same period. County population grew rapidly in recent decades, by 18.2% in the 2010 Census and 14.2% in the 2000 Census. Recent estimates indicate that growth has been essentially flat since 2010.

### Financial Operations and Reserves: Healthy Reserves

The county's reserves are expected to experience a slight reduction, though remain healthy based on currently planned draws and projected return to balance operations in fiscal 2017. Reserves grew through fiscal 2013 supported by conservative budgeting. The county moderately drew on reserves in fiscals 2014 and 2015 by a total of \$1.1 million due to declines in sales and income tax receipts as well as costs associated with tornado clean up in Fairdale in 2015. The county closed fiscal 2015 with an available operating fund balance of \$29.5 million, or a still very healthy 80.9% of revenues. We consider the operating fund to be the general fund, debt service fund as well as a number of social service and special revenue funds.

Preliminary estimates for fiscal 2016, indicate that the county posted a modest operating deficit of \$810,000. Officials made budgetary adjustments and increased fees in order to implement a balanced budget in fiscal 2017. Should reserves not stabilize as projected in fiscal 2017 it could begin to place pressure on the county's rating, given the county's very ample reserves are key factor supporting its strong Aa1 rating. The county's fund balance policy calls for maintaining 28% of General Fund expenditures in reserves.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## LIQUIDITY

The county has sound liquidity with a net cash balance of \$28.2 million, or a strong 77.4% of operating revenue.

The county's only significant enterprise fund is its Nursing Home Fund. With annual expenses of approximately \$13.6 million, the fund is much smaller than the General Fund, which has an annual budget of over \$27 million. The Nursing Home Fund ended fiscal 2015 with \$4.7 million in cash and investments, which was equivalent to solid 125 days of cash on hand, an increase from \$4.2 million in 2014, but below its cash position of \$5.2 million and \$4.6 million in fiscal 2012 and 2013, respectively. The nursing home has reportedly not experienced delays in payments from the state.

## Debt and Pensions: Manageable Long-term Liabilities

The county's debt and pension burdens are moderate though above the median for its sector and rating category. Despite the current issuance more than tripling its outstanding debt, the county's direct debt burden remains moderate at 0.8% of full value and 1.3 times revenues. The county has a higher than average overlapping debt burden at 5.5% of full value, which is primarily attributable to underlying school districts. The county's pension liabilities are moderate with a three year average Moody's adjusted net pension liability (ANPL) of 1.3% of full value, or 2.0 times operating revenue. Fixed costs consisting of retirement expenses and debt service in fiscal 2015 were a low 14.5% of revenues.

## DEBT STRUCTURE

All of the county's debt is fixed rate and long-term. Principal amortization is slow with 24.7% of GO debt retired within ten years.

## DEBT-RELATED DERIVATIVES

The county is not a party to any derivative agreements.

## PENSIONS AND OPEB

The county participates in the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent plan. Unfunded liabilities are \$24.0 million on a reported basis and \$104.8 million on a Moody's ANPL basis. Moody's ANPL reflects the use of a market-based discount rate to value accrued liabilities. DeKalb County has routinely contributed its required actuarially-determined contribution (ADC) to the plan. The county's fiscal 2015 payment was 139.5% of the amount necessary to tread water, that is, to forestall further growth in the reported net pension liability if all assumptions hold including a 7.5% rate of return. Contributions that meet or exceed tread water are stronger from a credit perspective than those below tread water, given those that fall short are likely to experience growth in liabilities. As of December 31, 2014, the most recent actuarial valuation date, the county had a small unfunded actuarial accrued liability (UAAL) other post-employment liability of \$1.4 million.

## Management and Governance: Moderate Institutional Framework

Illinois counties have an Institutional Framework score of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Most counties are non-home rule and are subject to tax rate limitations. Total operating tax yield for non-home rule entities subject to the Property Tax Extension Limitation Law (PTELL) is capped to the lesser of 5% or CPI growth, plus new construction. Revenue predictability is moderate, with varying dependence on property, sales, and state-distributed income taxes. Expenditures, which are primarily for criminal justice, are moderately predictable. Counties have limited ability to reduce expenditures given strong public sector unions and pension benefits that enjoy strong constitutional protections. The county maintains a fund balance policy to maintain its fund balance at 28% of expenditures.

While the county's revenue streams are diverse, there is some exposure to economically sensitive revenues given sales taxes make up 11.9% of revenues. These receipts have been stagnant in recent years. The county's largest revenue sources are property taxes (47.5%) and intergovernmental aid (17.5%), along with charges for services (15.4%). De Kalb County is not a home rule unit of government and is subject to Illinois' Property Tax Extension Limitation Law (PTELL), which limits property tax growth to the lesser of CPI or 5% on an annual basis. The county maintains margin under all of its capped funds.

## Legal Security

The Series 2017 bonds and the county's outstanding GOULT bonds are secured by its pledge and authorization to levy a property tax unlimited as to rate or amount to pay debt service. The county has additionally pledged sales tax receipts and landfill host fees to the current issuance. The county has covenanted that the property tax levy will be abated only after sufficient revenues have been collected in the Debt Service Fund from the additionally pledged revenues.

## Use of Proceeds

The Series 2017 bonds will finance renovations and expansions of the county jail.

## Obligor Profile

DeKalb County encompasses approximately 643 square miles and is located approximately 60 miles west of downtown Chicago. County operations include public safety, judicial, human service, and general governmental functions. The county has an estimated population of 104,000.

## Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## Ratings

Exhibit 2

### De Kalb (County of) IL

Issue	Rating
General Obligation Bonds (Alternate Revenue Source), Series 2017	Aa1
Rating Type	Underlying LT
Sale Amount	\$33,105,000
Expected Sale Date	06/21/2017
Rating Description	General Obligation

Source: Moody's Investors Service

**SHERIFF'S RADIO COMMUNICATION SYSTEM BUDGET & FINANCING**

A		Project Costs
A-1	Tower Sites & Improvements	200,000
A-2	Tower Construction & Improvements	1,200,000
A-3	Tower Site Equipment	1,450,000
A-4	Dispatch Center Equipment	400,000
A-5	Consulting & Engineering & Licensing	275,000
A-6	Radios (Vehicle & Portable)	275,000
A-7	Participation Grants	100,000
A-8	Contingency	100,000
A-99	Total Project Cost	<u>\$4,000,000</u> =====

B		Revenue	Annual
B-1	Tons Per Year (max = 200,000)		80,000
B-2	Fee per Ton of Special Waste		\$3.49
B-99	Revenue Available per Year for Debt		<u>\$279,200</u> =====

C		Financing	Scenario A	Scenario B	Scenario C	Scenario D
C-1	Principal		\$4,000,000	3,750,000	3,500,000	3,500,000
C-2	Interest Rate		3.0%	3.0%	3.0%	3.0%
C-3	Years Financed		20	20	20	15
C-4	Loan Payment per Year		\$266,000	\$250,000	\$233,000	\$290,000

D		Paid by Outside Agencies, if participate
D-1	Fire Departments (not Hampshire, Maple Park, or Sandwich)	900,000
D-2	Police Departments (not DeKalb, NIU, or Sandwich)	155,000
D-99	Total Potential by Outside Agencies	<u>\$1,055,000</u> =====