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VICE PRESIDENT

November 6, 2013

The Honorable Aaron Lawlor  
And Members of the County Board  
County of Lake, Illinois  
18 North County Street  
Waukegan, Illinois 60085

Dear Chairman Lawlor and County Board Members:

Bids were received today for the \$30,000,000 General Obligation Road Bonds (Sales Tax Alternate Revenue Source), Series 2013. There were twelve bids received which are listed at the bottom of this letter in accordance with the signed bids.

Upon examination, it is our opinion that the bid of Hutchinson, Shockey, Erley & Co., Chicago, Illinois, is the best bid received, and it is further our opinion that the bid is favorable to the County and should be accepted. The debt service does not exceed \$7,000,000 in any year and the Bonds do not bear interest greater than 5.0% in any year. We therefore recommend that the Bonds be awarded to that bidder at a revised price of \$34,421,764.56, being at a revised true interest rate of 2.0659%. The bidders are listed as follows:

<u>Account Managers</u>	<u>True Interest Rate</u>
<b>Hutchinson, Shockey, Erley &amp; Co., Chicago, IL (Original Bid - 2.0937%)...</b>	<b>2.0659%(Revised Bid)</b>
BMO Capital Markets GKST Inc., Chicago, IL.....	2.0998%
Raymond James, St. Petersburg, FL.....	2.1094%
Piper Jaffray & Co., Minneapolis, MN.....	2.1200%
Janney Montgomery Scott, Philadelphia, PA.....	2.1251%
Citigroup, Chicago, IL.....	2.1267%
US Bank N.A., New York, NY.....	2.1493%
Oppenheimer & Co., Chicago, IL.....	2.1657%
Mesirow Financial, Inc., Chicago, IL.....	2.1806%
Robert W. Baird & Co., Inc., Milwaukee, WI.....	2.2247%
UBS Financial Services, New York, NY.....	2.2276%
Fifth Third Securities, Cincinnati, OH.....	2.3338%

The open auction savings to the County by reduced interest costs associated with the bid improvement of 0.155701% by the winning bidder equates to \$86,216.66.

Respectfully submitted,

Barbara L. Chevalier  
Vice President

BLC/pls  
Enclosures



**Auction Date** Wed., Nov 6, 2013  
**Type** AON  
**Start** 10:45:00 am  
**End** 11:01:46 am  
**Time Now** 11:02:16 am EST  
**Status** Over  
 Connecting to server...

\$30,000,000\*  
 The County of Lake, Illinois  
 General Obligation Road Bonds  
 (Sales Tax Alternate Revenue Source)  
 Series 2013

Bidder	Firm	TIC	Time	Gross Interest	+ Discount/ (Premium)	Total Interest	Bid No.	Cumulative Improvement	Open Auction Savings
1st HUTC-JV	Hutchinson	2.093715%	10:59:46 am	\$8,596,040.28	(4,508,912.00)	\$4,087,128.28	3	0.155701%	\$ 86,216.66
2nd BMOC-CH	BMO Capital	2.099772%	11:01:26 am	\$8,716,373.61	(4,611,610.35)	\$4,104,763.26	5	0.091186%	-
3rd RAYM-RS	Raymond James	2.109411%	11:01:07 am	\$8,856,833.33	(4,731,995.70)	\$4,124,837.63	9	0.193535%	-
4th PIPE-SC	Piper Jaffray	2.119960%	11:01:11 am	\$8,596,040.28	(4,461,496.26)	\$4,134,544.02	2	0.021513%	-
5th JANN-LC	Jannetty	2.125102%	11:01:16 am	\$8,716,373.61	(4,565,788.64)	\$4,150,584.97	5	0.082333%	-
6th CITI-JK	Citigroup	2.126673%	11:01:16 am	\$8,856,833.33	(4,700,759.94)	\$4,156,073.39	3	0.022562%	-
7th USBA-CL	US Bank N.A.	2.149283%	10:58:16 am	\$8,716,373.61	(4,522,123.01)	\$4,194,250.60	1	-	-
8th OPPE-JF	Oppenheimer	2.165727%	11:00:02 am	\$8,716,373.61	(4,492,471.84)	\$4,223,901.77	2	0.013504%	-
9th MESI-DO	Mesirow	2.180607%	11:00:19 am	\$8,716,373.61	(4,465,669.90)	\$4,250,703.71	2	0.070424%	-
10th RWBA-DK	Robert Baird	2.224725%	10:58:03 am	\$7,841,297.22	(3,570,331.64)	\$4,270,965.58	1	-	-
11th UBSS-JO	UBS Financial	2.227556%	10:58:52 am	\$8,786,603.47	(4,450,140.45)	\$4,336,463.02	7	0.759150%	-
12th FIFT-GK	Fifth Third	2.333845%	10:59:28 am	\$8,716,373.61	(4,191,319.95)	\$4,525,053.66	6	0.272205%	-
<b>Total Bids:</b>							<b>46</b>		

\*Preliminary, subject to change

# SPEER FINANCIAL, INC.

PUBLIC FINANCE CONSULTANTS SINCE 1954

SUITE 4100 • ONE NORTH LASALLE STREET • CHICAGO, ILLINOIS 60602 • (312) 346-3700 • FAX (312) 346-8833

Investment Ratings:  
Moody's Investors Service ... Aaa  
Standard & Poor's Corporation ... AAA

**\$30,000,000**  
**THE COUNTY OF LAKE, ILLINOIS**  
**General Obligation Road Bonds (Sales Tax Alternate Revenue Source), Series 2013**

Date of Sale: November 6, 2013  
Average Life: 5.905 Years  
**Revised Average Life: 5.833 Years**  
Bond Buyer Index: 4.48  
(Based on TIC)

<u>Bidders*</u>	<u>Price</u>	<u>Maturities</u>	<u>Original Bid Amounts</u>	<u>Revised Bid Amounts</u>	<u>Rates</u>	<u>True Interest</u>
Hutchinson, Shockey, Erley & Co., Chicago, IL	115.030%	2014	\$6,035,000	\$5,600,000	3.000%	<u>Original Bid</u>
	\$34,508,912.00	2015	100,000	450,000	3.000%	2.0937%
	(Original)	2016	100,000	450,000	3.000%	\$4,087,128
	114.739%	2017	100,000	450,000	3.000%	
	\$34,421,764.56	2018	1,200,000	1,525,000	3.000%	
	(Revised)	2019	6,275,000	5,870,000	5.000%	<u>Revised Bid</u>
		2020	6,460,000	6,165,000	5.000%	2.0659%
		2021	6,655,000	6,475,000	5.000%	\$3,980,465
	2022	3,075,000	3,015,000	5.000%		

<u>Bidders*</u>	<u>Price</u>	<u>Maturities</u>	<u>Rates</u>	<u>True Interest**</u>
BMO Capital Markets GKST Inc., Chicago, IL	115.372%	2014-2017	3.000%	2.0998%
	\$34,611,610.35	2018-2022	5.000%	\$4,104,763
Raymond James, St. Petersburg, FL Morgan Stanley Dean Witter, Jefferies, FTN Financial Capital Markets	115.773%	2014-2022	5.000%	2.1094%
	\$34,731,995.70			\$4,124,838
Piper Jaffray & Co., Minneapolis, MN	114.872%	2014-2018	3.000%	2.1200%
	\$34,461,496.26	2019-2022	5.000%	\$4,134,544
Janney Montgomery Scott, Philadelphia, PA	115.219%	2014-2017	3.000%	2.1251%
	\$34,565,788.64	2018-2022	5.000%	\$4,150,585
Citigroup, Chicago, IL Southwest Securities, Drexel Hamilton	115.669%	2014-2022	5.000%	2.1267%
	\$34,700,759.94			\$4,156,073
US Bank N.A., New York, NY U.S. Bancorp Investments, Inc.	115.074%	2014-2017	3.000%	2.1493%
	\$34,522,123.01	2018-2022	5.000%	\$4,194,251
Oppenheimer & Co., Chicago, IL	114.975%	2014-2017	3.000%	2.1657%
	\$34,492,471.84	2018-2022	5.000%	\$4,223,902
Mesirow Financial, Inc., Chicago, IL	114.886%	2014-2017	3.000%	2.1806%
	\$34,465,669.90	2018-2022	5.000%	\$4,250,704
Robert W. Baird & Co., Inc., Milwaukee, WI	111.901%	2014-2019	3.000%	2.2247%
	\$33,570,331.64	2020-2022	5.000%	\$4,270,966
UBS Financial Services, New York, NY JP Morgan	114.834%	2014-2017	4.000%	2.2276%
	\$34,450,140.45	2018-2022	5.000%	\$4,336,463
Fifth Third Securities, Cincinnati, OH	113.971%	2014-2017	3.000%	2.3338%
	\$34,191,319.95	2018-2022	5.000%	\$4,525,054

*\*Syndicate information is provided by the underwriter. The information contained in this report is the most current available. The true interest rate reflects the time value of money where dollars spent in early years have a greater weight than dollars spent in a later years.*

\$30,000,000 \*  
 The County of Lake, Illinois  
 General Obligation Road Bonds  
 (Sales Tax Alternate Revenue Source)  
 Series 2013

SIGNED COPY

<b>Best AON Bidder:</b>	<b>Best AON TIC:</b>	<b>Best Revised AON TIC:</b>
Hutchinson Shockey Erley	2.093715 %	2.065858 %

Due	Principal Amount *	Resized Principal Amount	Serial/ Principal Sinker/ Term	Coupon
Nov 30, 2014	\$6,035,000	\$5,600,000	Serial	3.000%
Nov 30, 2015	\$100,000	\$450,000	Serial	3.000%
Nov 30, 2016	\$100,000	\$450,000	Serial	3.000%
Nov 30, 2017	\$100,000	\$450,000	Serial	3.000%
Nov 30, 2018	\$1,200,000	\$1,525,000	Serial	3.000%
Nov 30, 2019	\$6,275,000	\$5,870,000	Serial	5.000%
Nov 30, 2020	\$6,460,000	\$6,165,000	Serial	5.000%
Nov 30, 2021	\$6,655,000	\$6,475,000	Serial	5.000%
Nov 30, 2022	\$3,075,000	\$3,015,000	Serial	5.000%

**Original Purchase Price: \$34,508,912.00**

**Resized Purchase Price: \$34,421,764.56**

**Spread: None Entered**

**Time Submitted: November 6, 2013 at 10:59:46**

**AM EST**

\* Numbers displayed in blue are post sale adjustments.

SpeerAuction Interest Cost Calculations (for informational purposes only)		
	Original	Resized
<b>Issue Size</b>	\$30,000,000	\$30,000,000
<b>Gross Interest</b>	\$8,596,040.28	\$8,402,229.17
<b>Plus Discount/(Less Premium)</b>	(4,508,912.00)	(4,421,764.56)
<b>Total Interest Cost</b>	\$4,087,128.28	\$3,980,464.61
<b>True Interest Rate</b>	2.093715%	2.065858%
<b>Total Bond Years</b>	177,136.67	175,001.67
<b>Average Life</b>	5.905 Years	5.833 Years

**Firm: Hutchinson Shockey Erley**

\*Preliminary, subject to change

The foregoing bid as submitted or as revised post sale, if appropriate, was accepted and the Securities sold by action of this Board, and receipt is hereby acknowledged of the good faith Deposit, if any, which is being held in accordance with the terms of the annexed Official Notice of Sale.

Signature: Robert Steinhilber

Title: Lake County Treasurer

The foregoing bid as submitted or as revised post sale, if appropriate, was accepted and the Securities sold by action of this Board, and receipt is hereby acknowledged of the good faith Deposit, if any, which is being held in accordance with the terms of the annexed Official Notice of Sale.

Signature: [Signature]

Title: Gary Gordon Director of Finance

## The County of Lake, Illinois

### General Obligation Road Bonds, (Sales Tax Alternate Source), Series 2013

Final

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/25/2013	-	-	-	-	-
05/30/2014	-	-	683,729.17	683,729.17	-
11/30/2014	5,600,000.00	3.000%	665,250.00	6,265,250.00	6,948,979.17
05/30/2015	-	-	581,250.00	581,250.00	-
11/30/2015	450,000.00	3.000%	581,250.00	1,031,250.00	1,612,500.00
05/30/2016	-	-	574,500.00	574,500.00	-
11/30/2016	450,000.00	3.000%	574,500.00	1,024,500.00	1,599,000.00
05/30/2017	-	-	567,750.00	567,750.00	-
11/30/2017	450,000.00	3.000%	567,750.00	1,017,750.00	1,585,500.00
05/30/2018	-	-	561,000.00	561,000.00	-
11/30/2018	1,525,000.00	3.000%	561,000.00	2,086,000.00	2,647,000.00
05/30/2019	-	-	538,125.00	538,125.00	-
11/30/2019	5,870,000.00	5.000%	538,125.00	6,408,125.00	6,946,250.00
05/30/2020	-	-	391,375.00	391,375.00	-
11/30/2020	6,165,000.00	5.000%	391,375.00	6,556,375.00	6,947,750.00
05/30/2021	-	-	237,250.00	237,250.00	-
11/30/2021	6,475,000.00	5.000%	237,250.00	6,712,250.00	6,949,500.00
05/30/2022	-	-	75,375.00	75,375.00	-
11/30/2022	3,015,000.00	5.000%	75,375.00	3,090,375.00	3,165,750.00
<b>Total</b>	<b>\$30,000,000.00</b>	<b>-</b>	<b>\$8,402,229.17</b>	<b>\$38,402,229.17</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$175,001.67
Average Life	5.833 Years
Average Coupon	4.8012281%
Net Interest Cost (NIC)	2.2745295%
True Interest Cost (TIC)	2.0658584%
Bond Yield for Arbitrage Purposes	2.0187673%
All Inclusive Cost (AIC)	2.1483212%

### IRS Form 8038

Net Interest Cost	1.8888830%
Weighted Average Maturity	5.978 Years

# MOODY'S

## INVESTORS SERVICE

### New Issue: Moody's assigns Aaa to Lake County IL's \$30M GO Road Bonds (Alt Rev), Ser. 2013

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Global Credit Research - 31 Oct 2013

#### Aaa applies to \$112.5M of post-sale GO debt

LAKE (COUNTY OF) IL  
Counties  
IL

#### Moody's Rating

ISSUE	RATING
General Obligation Road Bonds (Sales Tax Alternate Revenue Source), Series 2013	Aaa
<b>Sale Amount</b>	\$30,000,000
<b>Expected Sale Date</b>	11/14/13
<b>Rating Description</b>	General Obligation

#### Moody's Outlook

#### Opinion

NEW YORK, October 31, 2013 --Moody's Investors Service has assigned a Aaa rating to the Lake County, IL's \$30 million General Obligation Road Bonds (Sales Tax Alternate Revenue Source), Series 2013. While the bonds are secured by the county's general obligation unlimited tax pledge, which is unlimited as to rate and amount, debt service is expected to be paid from the revenues generated by the county's sales tax for transportation and public safety. Proceeds of the bonds will finance road improvements throughout the county. Moody's maintains a Aaa rating on the county's \$112.5 million of outstanding general obligation debt, including the current offering.

#### SUMMARY RATING RATIONALE

The highest quality Aaa rating incorporates the county's developed economic base with strong wealth levels; well-managed financial operations with healthy reserves that provide substantial flexibility; and manageable debt burden with moderate future borrowing plans.

#### STRENGTHS

- High level of liquid General Fund reserves
- Large tax base which continues to experience diversification

#### CHALLENGES

- Recent tax base valuation declines
- Slow amortization period

#### DETAILED CREDIT DISCUSSION

#### DEVELOPED ECONOMIC BASE WITH STRONG WEALTH LEVELS; RECENT TAX BASE VALUATION DECLINE

Located just north of Chicago (A3/negative outlook), Lake County's historical growth was primarily driven by strong residential development and expanding commercial activity coupled with a population that has almost tripled since 1950. The county now ranks third largest in the state with 703,462 in population as of the 2010 census, an

increase of 9.2% since 2000. The tax base, currently valued at \$74.2 billion, previously recorded robust growth on an annual basis. More recently, the broader impact of the national recession and declines in the real estate market has led to declines in valuation over the last four years, including declines of 6.9% and 8.4% in 2011 and 2012, respectively. As a result, the county's tax base has declined at an average annual rate of 3.6% over the last five years. Going forward, management expects valuations to flatten due to stabilization within the real estate market and ongoing development.

The county's favorable location, which borders Lake Michigan and is within close proximity to Chicago, has ample land available for development and ample rail and road transportation is expected to yield positive growth trends over the long-term. Residential development has moderated, though the diverse economy includes large private employers such as Abbott Laboratories (A1/negative outlook) and Baxter International Inc. (A3/stable outlook), two major health care products manufacturers, and the Great Lakes Naval Training Center, which employs 11,000 both civilian and military personnel. Six Flags Great America and Gurnee Mills Mall are also located in the county. The diversity of the economic base has yielded an unemployment rate of 8.5% (as of July 2013) that is more modest than the state's rate of 9.6%, yet is higher than the national rate of 7.7% for the same time period. Lake County is the state's second wealthiest county, and growth in per capita income has far outpaced the state. Resident wealth levels remain strong, with median family income and per capita income at 145.6% and 139.5% of national levels, respectively, according to American Community Survey's 2006-2010 five year estimates.

#### WELL-MANAGED FINANCIAL OPERATIONS WITH HEALTHY FUND BALANCES THAT PROVIDE SUBSTANTIAL FLEXIBILITY

The county's finances are well-managed and it continues to maintain healthy reserves, which will likely result in continued favorable financial operations going forward. Subsequent to capital-driven, budgeted operating deficits in 2008 and 2009, the county has recorded three successive operating surpluses of \$7.5 million, \$12.7 million, and \$7.6 million in fiscals 2010 through 2012. Management attributes the sizable increases in reserves to conservative budgeting practices, particularly in economically sensitive revenues, and close management of expenditures. Aside from year over year reductions in personnel headcount, the management has implemented health insurance, benefits (FICA and pension) and risk management adjustments that have generated nearly \$20 million in expenditure savings compared to budgeted expectations between fiscals 2011 and 2012. The General Fund maintained a reserve balance of \$127.9 million, or a healthy 76.2% of revenues, at the conclusion of fiscal 2012. Management expects to conclude fiscal 2013 with a minimum General Fund operating surplus of \$3 million.

#### MANAGEABLE DEBT BURDEN WITH SLOW PRINCIPAL AMORTIZATION

The county's debt burden is likely to remain manageable due to continued tax base growth and limited future borrowing plans. The county's direct debt burden is 0.2% and easily affordable as past growth in the tax base has kept it manageable. Countywide population growth has been accompanied by substantial increases in debt from underlying jurisdictions. The overall debt burden, at 3.1%, is average and incorporates approximately \$2.3 billion of overlapping debt from other local government units. All general obligation debt of the county is paid from alternate revenue sources, county sales tax receipts, which ease the burden on the general property tax levy. Principal amortization is below average with 46.4% of direct debt obligations within 10 years. Management has outlined plans to issue \$21 million in GO debt for road improvements in 2014. All of the county's debt is fixed rate and Lake County is not party to any derivative agreements.

The county has a moderate employee pension burden, based on unfunded liabilities for its participation in two multiple-employer agent plans. Reported unfunded pension liabilities consist of \$77.5 million for county's portion of the statewide Illinois Municipal Retirement Fund (IMRF) and \$39.5 million for the statewide Illinois Sheriff's Law Enforcement Personnel Fund as of December 31, 2011. Together, these reported liabilities amount to \$116.9 million.

Moody's fiscal 2011 adjusted net pension liability (ANPL) for the county, under our methodology for adjusting reported pension data, is \$223.1 million, or 0.9 times operating revenues. The county's ANPL is comparable the sector average of less than one times operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace county's reported liability information, but to improve comparability with other rated entities.

What could change the rating - DOWN

- Significant structural imbalance in the General Fund leading to material declines in fund balance and liquidity
- Deterioration of the district's tax base and demographic profile

## KEY STATISTICS:

2010 Population: 703,462 (+9.2% since 2000)

2012 Full valuation: \$74.2 billion

Full value per capita: \$104,281

Direct debt burden: 0.2%

Overall debt burden: 3.1%

2006-2010 American Community Survey median family income as a % of nation: 145.6%

2006-2010 American Community Survey per capita income as a % of nation: 139.5%

Lake County unemployment rate: (July 2013): 8.5%

Amortization of principal (10 years): 46.4%

Fiscal Year 2012 General Fund balances: \$127.9 million (76.2% of General Fund revenues)

Post-sale general obligation debt: \$112.5 million, including current offering

## PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

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## Summary:

# Lake County, Illinois; General Obligation

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## Summary:

# Lake County, Illinois; General Obligation

### Credit Profile

US\$30.0 mil GO rd bnds (sales tax ARS) ser 2013 due 11/30/2022

<i>Long Term Rating</i>	AAA/Stable	New
Lake Cnty		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to Lake County, Ill.'s series 2013 general obligation (GO) road bonds. We also affirmed our 'AAA' rating on the county's outstanding GO bonds based on our recently released local GO criteria. The outlook is stable.

The series 2013 GO bonds, like the series 2010A, 2011A GO road bonds, are alternate revenue source bonds secured by the county's revenues from its 0.25% Regional Transportation Authority (RTA) sales tax, and by unlimited ad valorem property tax to the extent that pledged revenues are insufficient. Under the bond resolution, the county is required to only abate the debt service levy to the extent that pledged revenues have been deposited into a debt service account.

The rating reflects our assessment of the following factors for the county:

- Very strong economy, which is part of the broad and diverse Chicago metropolitan area;
- Very strong budgetary flexibility due mostly due to the unassigned general fund balance;
- Strong budgetary performance, with positive general fund operations reported for the last three audited fiscal years through fiscal 2012;
- Very strong liquidity in terms of cash levels covering debt service and expenditures;
- Very strong management with financial policies and practices that we consider strong; and
- Adequate debt and contingent liabilities position, driven by the county's overlapping debt.

### Very strong economy

We consider Lake County's economy to be very strong with estimated market value per capita at \$103,000 and projected per capita effective buying income for 2017 at 139% of the nation's level. In addition, the county is one of Chicago's "collar counties" and its economy benefits from being part of the broad and diverse Chicago metropolitan area.

Lake County is north of Chicago between Cook County and the Wisconsin state line. Lake Michigan forms the county's eastern boundary. The county's population has grown 9.2% since the 2000 U.S. Census, to 703,462 in 2010; the current population is an estimated 711,758. Waukegan is the county's seat and largest city with a population of about 89,000.

Median household effective buying income for the county is very strong at 144% of the nation's levels. The county is

home to some of the wealthiest communities in the nation, including Lake Forest and Highland Park. There are also less-affluent communities such as Waukegan and North Chicago, which have median household incomes that are at or below national levels. The county's employment diversity is reflected in its below-average unemployment rate of 8.7% in 2012, below the state's 8.9% and nation's 8.1%.

Due to the recent recession's impact on commercial and residential real estate values, the county's equalized assessed valuation (AV) shrank nearly 20% from 2009 to 2012. Estimated fair market value of the tax base is \$73.4 billion. The tax base is very diverse, in our view, with the 10 leading taxpayers accounting for just 2% of equalized AV.

### **Very strong budgetary flexibility**

In our opinion the county's budgetary flexibility is very strong, with available reserves at 66% of general fund expenditures for fiscal 2012 (Nov. 30). In addition to the \$103.7 million unassigned general fund balance, available reserves include the \$26.7 million risk management fund balance.

### **Strong budgetary performance**

The county's budgetary performance in fiscal 2012 was strong with a reported general fund surplus of \$7.76 million. After adjusting for one-time capital spending and a related grant, the general fund surplus was 10% of expenditures. With these same adjustments, the surplus for the total governmental funds was 2.7% of adjusted expenditures for fiscal 2012. For 2013, management projects a general fund surplus of between \$3 million and \$6 million despite \$9.18 million of one-time capital expenditures. Management reports that the budget for 2014 will be structured with a \$1.76 million general fund surplus.

The county is subject to a property tax levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction. In spite of the tax cap, the county's financial position remains strong due to conservative fiscal management and a quarter-cent RTA sales tax, which was implemented in 2008 and generated \$27.6 million in fiscal 2012. Although the county can use its RTA sales tax revenues for public safety and transportation expenditures, the county board designated these revenues for road improvements, including debt service for the series 2010A, 2011A, and 2013 alternate revenue source GO bonds.

### **Very strong liquidity**

Supporting the county's finances is liquidity we consider very strong, with \$187.7 million of available cash, cash equivalents, and short-term investments held in the general fund, risk management, public works, and internal service funds. This amounted to 52% of adjusted total governmental funds expenditures and 3,060% of governmental funds debt service. In addition, we believe the county has strong access to external liquidity because of the frequency of its GO debt issuance.

### **Very strong financial management**

We view the county's management as very strong with "strong" financial policies and practices according to our Financial Management Assessment (FMA). An FMA score of "strong" indicates that practices are strong, well embedded and likely sustainable.

The county's budget manager reviews revenues and expenditures on a regular basis and provides the board with a quarterly budget report. Management plans its annual budgets with the help of 10-year financial projections and a

five-year capital improvement plan. The county has its own board-approved debt and investment policies, and management provides the board with a monthly treasurer's report. The formal fund balance policy requires each fund that is supported by property taxes, except the liability insurance fund, to maintain a reserve equal to at least 15% of operating budgeted expenditures, a cash flow reserve, and a reserve for risk fund liabilities.

### **Adequate debt and contingent liability profile**

In our opinion, the county's debt and contingent liability profile is adequate, with total governmental fund debt service at 1.7% of total adjusted governmental fund expenditures and net direct debt at 47% of total governmental fund revenue. Including overlapping debt, overall debt is 3% of market value. Amortization is above average, with 60% of debt scheduled to mature within the next 10 years. Management reports that the county plans to issue \$21.8 million of additional alternate revenue source GO bonds for road improvements by early 2015, and about \$86 million of GO bonds for a courthouse expansion by fiscal 2016, a level that we consider to be significant.

The county's employees are covered by the multiple employer Illinois Municipal Retirement Fund regular and Sheriff Law Enforcement Personnel pension plans. The county pays its full annual pension cost (APC) for both plans each year. The county paid about \$18.97 million of pension costs in 2011, which was 100% of the APC and 5% of total governmental funds expenditures. The county allows its retirees to buy into the active employees' health insurance system at their own expense and so has only an implied rate subsidy for its other postemployment benefits.

### **Strong Institutional Framework**

We consider the Institutional Framework score for Illinois counties subject to the Property Tax Extension Limitation Law to be strong.

## **Outlook**

The stable outlook reflects our expectation that the rating will not change within a two-year horizon because we believe Lake County will take the steps necessary to maintain its very strong financial flexibility and liquidity. The county's participation in the deep and diverse Chicago metropolitan area economy further supports the outlook.

## **Related Criteria And Research**

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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