Cook County, Illinois
Management's Discussion and Analysis
Year Ended November 30, 2018

As management of Cook County, Illinois (the "County"), we offer the readers of the Management's Discussion and Analysis (the "MD&A") section of the County's Comprehensive Annual Financial Report (the "CAFR") a narrative overview and analysis of the financial activities of the County for the fiscal year ended November 30, 2018. The reader is encouraged to consider the information presented here in conjunction with the basic financial statements and the accompanying notes, which follow this section.

Financial Highlights for FY 2018

- The County's FY2018 preliminary forecasted budget deficit in July of 2017 was $115.3 million, which increased to $315.9 million by October of 2017 due to the repeal of the Sweetened Beverage Tax, which was project to bring in $200.6 million in FY2018. The new deficit was addressed through $193.9 million in cost reductions and $122 million in revenue growth. The cost reductions comprised of $145.5 million in position eliminations and health benefit cost management initiatives, along with $48.4 million in non-personnel reductions and various management initiatives to eliminate unnecessary programs and real estate consolidation. The revenue growth primarily came in the Health Fund to the tune of $86 million from growth in CountyCare membership due to strategic acquisition. An additional $36 million came from increased compliance efforts from Department of Revenue and state reimbursements for probation officer and one-time settlements.
- On August 22, 2018, the County issued approximately $155.6 million in Sales Tax Bonds to refund the majority of the $125 million General Obligation Bond Series 2014D, a variable rate revolving line of credit with PNC Bank. The line of credit serves as the County's main source of interim financing, allowing the County to keep its borrowing costs low during the construction, implementation and acquisition phase of its capital improvement and equipment projects. The refunding was not a typical refunding designed to create savings, rather to replace the shorter-term revolving line of credit with long-term financing that more closely matches the useful life of the assets being funded.
- On January 1, 2016, the County's Home Rule Retailer's Occupation Tax rate increased by 1%. The County began to receive the revenue associated with this increase beginning in April 2016. The value of the 1% increase in FY 2018 was $445 million, of which $353 million was allocated to the Pension Fund for supplemental contributions over the statutory requirement.
- In FY2018 CountyCare membership experienced tremendous growth and went from 140,000 average membership in FY2017 to 334,000 average membership in FY2018. This was due to two strategic acquisitions of other health plans made by CCHHS, which contributed an additional $990.9 million in revenue to the Health Fund.
- The County's financial statements have been restated as of November 30, 2017. The restatement is a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The restatement is to record the effect of the total OPEB liability, and certain deferred outflows of resources as of the measurement date for the previous year (Governmental Activities, Business-type Activities and the CCHHS Fund). See Note X for information on the impact of the restatement.