

## **DEBT ADMINISTRATION AND BOND RATINGS**

The County continues to have access to the debt markets to finance the acquisition, renovation or construction of various long-term assets. It is management's objective to adequately plan to meet the County's ongoing demands for essential capital improvement projects and equipment without overburdening taxpayers with general obligation bonds payable from ad valorem taxes, nor overly leveraging other county revenue sources. The County had \$3.56 billion in bonded indebtedness at the end of Fiscal Year 2018, comprised of both fixed rate and variable rate General Obligation Bonds and a smaller amount of fixed rate Sales Tax Revenue Bonds.

The County's underlying rating on its general obligation bonds is currently A2/AA-/A+ - from Moody's Investors Service, S&P Global Ratings and Fitch Ratings, respectively. Moody's and Fitch currently maintain stable outlooks on their respective ratings; however, S&P currently has a negative outlook on their rating for the County. The County also has outstanding Sales Tax Revenue Bonds that are rated AA by S&P Global Ratings and AAA by Kroll Bond Rating Agency.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. The County has furnished to the rating agencies certain information and materials relating to the Bonds and the County, including certain information and materials that have not been included in this financial report.

## **LONG-TERM FINANCIAL PLANNING & MAJOR INITIATIVES**

### **County Sales Tax**

In 2011, the County Board passed an ordinance amendment to the Cook County Home Rule County Retail Occupation Tax Ordinance and the Cook County Home Rule Service Occupation Tax Ordinance (together, the "Home Rule Sales Tax") to roll back the Home Rule Sales Tax from 1.25 percent to 0.75 percent over two different dates. The first change reduced the rate by 0.25 percent on January 1, 2012 and the second reduction of 0.25 percent occurred on January 1, 2013. The County made key reductions in operating appropriations from 2011 to 2015 to compensate for the reduction in revenue, in addition to securing additional funding for the CCHHS via federal reimbursement under the Affordable Care Act.

However, by 2015 the unfunded liabilities at the County Employees' and Officers' Annuity and Benefit Fund of Cook County ("Pension Fund"), along with the debt service costs associated with legacy bonded indebtedness, continued to grow at an accelerated rate. In addition, the County's highway and transportation infrastructure also required funding to ensure unmet needs were addressed.

Therefore, on July 15, 2015, the County Board passed an ordinance amendment to the Home Rule County Retailer's Occupation Tax Law that increased it from 0.75 percent to 1.75 percent. The change was effective on January 1, 2016, with the first revenue received in April, 2016. Pursuant to an accompanying non-binding resolution, the County board expressed its intention that proceeds of the new tax would be allocated to address the County's and the Pension Fund's legacy liability costs and infrastructure funding needs.

In FY2018, the increase in Sales taxes allowed the County to continue to provide supplemental contributions to the Pension Fund to the tune of \$353 million and continued to invest in transportation infrastructure.

### **Performance Management**

Performance Management by the constituent departments and offices of Cook County are governed by Article X of the Cook County Code (PERFORMANCE BASED MANAGEMENT AND BUDGETING). This article was revised significantly on June 29, 2016 to create a new process for the submission of performance data. Much of the previous language related to STAR ("Set Targets, Achieve Results") reporting was deleted and replaced by sections requiring data directly related to the new scheme of budgeted administrative units described as "programs." This data submission was to take the form of an Annual Report defined in Article X as "Within 45 days of Fiscal Year end, each County Department and Agency shall prepare an Annual Report in a form and manner as described by the Budget Director wherein the Department or Agency shall provide year-end values for the data for its performance metrics included as part of its annual Budget Request" (Sec. 2-936).