VILLAGE OF LAKE BLUFF

FINANCE COMMITTEE

Monday, March 14, 2016
6:00 PM

VILLAGE HALL CONFERENCE ROOM
40 E. CENTER AVE, LAKE BLUFF, IL

AGENDA

I. Call to Order – Roll Call
Trustee Steve Christensen, Chairman
Trustee Mark Dewart, Member
Trustee Barbara Ankenman, Member

II. Approval of Minutes – February 12, 2016

III. Non-Agenda Items and Visitors
The Finance Committee allocates fifteen (15) minutes at this time for those individuals who would like the opportunity to address the Committee on any matter not listed on the agenda.

IV. Business Items

1. FY2017-2018 Tentative Biennial Budget Discussion
    a. General Fund Multi-Year Projections
    b. Water Fund

2. Executive Session – Personnel

V. Informational Items

- Moody's Investors Service Issues Annual Comment on Lake Bluff

VI. Adjournment

The Village of Lake Bluff is subject to the requirements of the Americans with Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and who require certain accommodations in order to allow them to observe and/or participate in this meeting, or who have questions regarding the accessibility of the facilities, are requested to contact R. Drew Irvin at 847-234-0774 or TDD number 847-234-2153 promptly to allow the Village of Lake Bluff to make reasonable accommodations.

VILLAGE OF LAKE BLUFF - FINANCE COMMITTEE
MINUTES OF MEETING – **February 12, 2016**

I. Call to Order – Roll Call

The Finance Committee of the Village of Lake Bluff was called to order on Friday, February 12, 2016 at 5:15 PM in the Village Hall Conference Room, 40 E. Center Ave., Lake Bluff, Illinois.

Members Present: Trustee Steve Christensen, Chairman
Trustee Mark Dewart, Member
Trustee Barbara Ankenman, Member

Others Present: Kathleen O'Hara, Village Board President
William Meyer, Village Board Trustee
R. Drew Irvin, Village Administrator
Susan Griffin, Finance Director
Marlene Scheibl, Assistant Finance Director
Brandon Stanick, Assistant to the Village Administrator
Franco Bottalico, Village Administrative Intern (left at 6:00 PM)

II. Approval of Minutes

Member Ankenman to approve the minutes of the January 11, 2016 meeting as presented; seconded by Member Dewart and approved unanimously on a voice vote.

III. Business Items

1. FY2017-FY2018 General Fund Preliminary Biennial Budget Review

Village Administrator Irvin presented an overview of the process and parameters used in developing this first biennial budget for FY2017 and FY2018. Finance Director Griffin noted the exhibits attached to the General Fund Preliminary Budget memo. Exhibit A shows the General Fund actual revenues for the past two fiscal years, the most current fiscal year estimated actual, and the budgets for FY2017 and FY2018. Exhibit B is the summary of the General Fund expenditures by department and category. Exhibit C shows the General fund balances projections through April 30, 2018. Exhibits D are the line item worksheets for the General Fund departments. This preliminary budget was prepared with no changes to the allocation of state shared revenue sources. The General Fund capital expenditure budgets are $1.8 and $2.2 million for FY2017 and FY2018, respectively. This represents an increase of 47% from FY2016 estimated actual to FY2017 and a 24% increase from the FY2017 budget to the FY2018 budget. Capital expenditures can be reduced if changes in the state shared revenues cannot be absorbed by the contingency fund budgeted at $200,000. The General Fund is the main operating fund of the Village and other than the Water Fund, is the only major fund. The total proposed budget for the General Fund is $10,178,226 and $10,840,079 (including the $200,000 contingency) for FY2017 and FY2018, respectively. These expenditures are to be financed with projected revenues for $9,736,769 and $9,703,879, respectively. The operating expenditures and interfund transfers are $8,198,656 and $8,426,879. The investment in capital of $1.789 and $2.219 million each year accounts for 18% and 20% of the General Fund budget. VA Irvin noted that this biennial budget challenged the staff to plan for 24 months. The operations budget was restrained in an effort to increase capital spending. Chairman Christensen stated he had reviewed the projected fund balance of 58% at the end of the two year budget period to be sure the Village would be on target of having a fund balance of at least 50% of the operating expenditures, which is the fiscal policy requirement. Chairman Christensen asked what the procedure will be next year to review the budget for FY2018 since this is a Biennial Budget. Director Griffin said the Village will still need to prepare another Budget Ordinance next year. VA Irvin added the FY2018 budget will be reviewed but not at the same detailed level as this year. President O'Hara inquired as to whether the Village had received the sales tax funds from North Chicago. Director Griffin replied that all past due sales tax revenue from the corridor agreement were recently received. Director Griffin stated the Budget Ordinance is not an appropriation ordinance so if there were unanticipated expenses which arise the Village would need to amend the Budget with a ¾ majority vote. Chairman Christensen asked about assumptions regarding any change in revenue received. Director Griffin responded the income tax would be the tax most likely to change. The two steps the Village could take to respond to a drop in revenue would be 1) use the contingency fund and 2) curtail expenses. President O'Hara asked what could be the worst case with a drop in revenue. What if the state withheld all shared funds including sales tax? VA Irvin said that during the 2009 downturn the Village curtailed capital spending and had a healthy fund balance to allow time to modify operations for sustainable expenditure reductions. Discussion ensued regarding the state of the economy. Member Dewart questioned whether the Village should have a strict plan of steps to take for different levels of a drop in revenues. Trustee Meyer said even when the federal economy stabilizes, the state still has significant financial issues to resolve. VA Irvin inquired if more funds should be put in the Contingency budget. Chairman Christensen responded there should be a specific plan for different levels of a drop in revenue such as if revenue drops $250,000 or $500,000, what should be done at each of those levels. VA Irvin said the responses would depend a lot on the timing of the drop in revenue. It currently takes the Village 4 months to receive sales tax information from the state. Chairman Christensen suggested there could be assumptions made for drops in revenue of $250,000 and $500,000 and form a plan if such drops would occur. This could also help with setting priorities. Director Griffin added if the grants were deducted from the revenues, the revenue projections revenues are conservative. Member Dewart inquired whether the Village had received the funds for the Pedestrian Bridge. Director Griffin received the funds had not been received; those funds are on hold. Member Dewart noted the installation of automatic defibrillators in all Village buildings was in the FY2018 budget and should occur sooner rather than later. This should be moved into the FY2017 budget. Member Dewart asked what the price of an ambulance call is. Director Griffin responded the Village pays Lake Forest $1,350 per call which is the fully loaded cost less any reimbursement Lake Forest receives. VA Irvin said Knollwood switched its ambulance service from Lake Forest to Libertyville. He has had preliminary conversations with Libertyville for service to the west side. Director Griffin said the Village has 200-210 ambulance calls per year. Chairman Christensen noted legal fees are budgeted lower. Chairman Christensen asked about the status of the contract with Groot. VA Irvin said Groot has requested a 5 year contract but the contract is still being negotiated. Member Ankenman asked what the $150,000 budgeted in Finance communications was for. Director Griffin responded it was for the new financial software system. Discussion ensued regarding police overtime expenses.

Exhibits were provided for the Other Governmental and Police Pension Funds Preliminary Biennial Budgets. Chairman Christensen asked about the amounts budgeted for the police pension management fees. Director Griffin said the Police Pension fund is using ASB for managing its stock investments.

VA Irvin said staff is still looking at water loss issue. Director Griffin said she is working on an accounting audit to determine if this is an unbilled loss or a physical infrastructure water loss. There is a gap of $100k-$150k between the water the Village is buying and selling. PW Superintendent Terlap and Village Engineer Hansen are monitoring flow meters. The issue came up last year and continues into this year. VA spoke with Baxter and Woodman about a quote to do an analysis. Baxter and Woodman may be contacted if staff cannot isolate and repair the problem. Member Dewart asked about the status of the automatic water reading system. Director Griffin said this project will start after the budget process is complete with implementation anticipated this summer. The Village is considering hiring an engineering firm to develop the RFP and coordinate the process with the Village and the selected firm.

IV. Next Meeting
The next meeting will be Monday, February 22, 2016 at 6:00 PM in the Village Board Room.

V. Adjournment
Member Ankenman made a motion to adjourn the meeting at 7:10 PM; seconded by Member Dewart and all members voted aye.

Respectfully submitted,

Marlene Scheibl
Assistant Director of Finance

FINANCE CMTE ITEM #IV-1a

VILLAGE OF LAKE BLUFF

MEMORANDUM

TO: Finance Committee Chairman and Members
Village President and Board of Trustees

FROM: Drew Irvin, Village Administrator
Susan M. Griffin, Director of Finance

Cc: Department Directors
Marlene Scheibl, Assistant Finance Director

DATE: March 11, 2015

SUBJECT: Multi-Year General Fund Balance Projections

Attached is the multi-year General Fund Balance Projection worksheets with projections through April 30, 2026. Last year this report was updated to show an assignment of fund balance beginning at $250k in FY2019 for potential loss of revenue either from the state LGDF and/or from a gap in sales tax projections. This was intentionally left in the schedule.

The FY17-FY18 numbers are based on the tentative budget. Revenue projections for FY19-26 are based on a 2% annual increase in revenues. Expenditure projections are based on these assumptions:

- Personnel costs 4% annual increase (includes salaries and insurance costs);
- Commodities & supplies cost growth of 1.5% annual increase;
- Contractual costs annual increase of 2%; and
- Capital costs based on more typical annual expenditures.

As you review this schedule you can see on page 2 line X that the unreserved fund balance remains well above the 50% fund balance reserve policy.

We will be available to answer questions about this report at the Finance Committee meeting.

VILLAGE OF LAKE BLUFF
GENERAL FUND BALANCE

FY2016-FY2027 PRELIMINARY PROJECTIONS

Last Updated
3/11/2016

last year of debt pmt

	GENERAL FUND	Actual FY 2014	Actual FY 2015	**Estimated FY 2016**	**Budget FY 2017**	**Budget FY 2018**	Projected FY 2019	Projected FY2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
	Beginning Balance	$4,662,778	$5,050,147	$6,167,752	$6,604,434	$6,342,978	$5,406,778	$5,690,083	$5,900,000	$6,191,186	$6,493,247	$6,678,604	$6,950,211	$6,905,658
	SOURCES OF FUNDS:													
a	Revenues - Operating	$ 8,647,260	$ 9,609,668	$ 9,607,453	$ 9,590,619	$ 9,701,379	$ 9,895,407	$ 10,093,315	$ 10,295,181	$ 10,501,085	$ 10,711,106	$ 10,925,328	$ 11,143,835	$ 11,366,712
b	Non-recurring revenues	$ 32,830	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
c	Grant Revenues	$ 684,155	$ 52,144	$ 2,500	$ 146,150	$ 2,500	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
d	Interfund Transfers In	$ 14,166	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
e	Sale of fixed assets/proprty	$ 110,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
I	***Total Revenues/Transfers In***	**$9,488,411**	**$9,661,812**	**$9,609,953**	**$9,736,769**	**$9,703,879**	**$9,898,407**	**$10,096,315**	**$10,298,181**	**$10,504,085**	**$10,714,106**	**$10,928,328**	**$11,146,835**	**$11,369,712**
	USES OF FUNDS:													
	Operating Expenditures:													
f	Personnel Services	$ 4,076,191	$ 3,868,183	$ 3,969,968	$4,153,133	$4,283,850	$4,455,204	$4,633,412	$4,818,749	$5,011,499	$5,211,959	$5,420,437	$5,637,254	$5,862,745
g	Commodities & Supplies	$ 596,085	$ 673,626	$ 665,531	$ 662,882	$ 655,387	$ 665,218	$ 675,196	$ 685,324	$ 695,604	$ 706,038	$ 716,629	$ 727,378	$ 738,289
h	Contracts	$ 1,774,338	$ 2,095,025	$ 2,169,973	$ 2,225,423	$ 2,260,789	$ 2,306,005	$ 2,352,125	$ 2,399,167	$ 2,447,151	$ 2,496,094	$ 2,546,016	$ 2,596,936	$ 2,648,875
II	**Subtotal Operating Expenditures**	$6,446,614	$6,636,834	$6,805,472	$7,041,438	$7,200,026	$7,426,427	$7,660,733	$7,903,240	$8,154,253	$8,414,090	$8,683,081	$8,961,568	$9,249,908
i	PW Projects	$1,318,374	$241,636	$1,032,802	$1,303,150	$2,080,000	$660,000	$660,000	$500,000	$660,000	$685,000	$500,000	$710,000	$710,000
j	Cap Equipmnt, Bldgs&Trees	$375,242	$373,646	$175,750	$476,420	$133,200	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000
k	Land Purchase Debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$0	$0	$0	$0	$0	$0
	Interfund Transfers Out:													
l	Library	$ -	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
m	2006/2012 G.O. Bonds	$ 253,850	$255,863	$253,793	$251,492	$253,618	$254,975	$255,775	$255,875	$0	$0	$0	$0	$0
n	Vehicle/Equip Replace	$134,000	$244,000	$259,000	$269,000	$284,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
o	Police Pension Fund	$ 572,963	$ 610,228	$646,454	$656,725	$689,235	$723,700	$759,890	$797,880	$837,770	$879,660	$923,640	$969,820	$1,018,310
p	Motor Fuel Tax	$ -	$ 182,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
III		$960,813	$1,292,091	$1,159,247	$1,177,217	$1,226,853	$1,278,675	$1,315,665	$1,353,755	$1,137,770	$1,179,660	$1,223,640	$1,269,820	$1,318,310
IV	***Total Expenditures/Interfnd Out***	**$9,101,042**	**$8,544,207**	**$9,173,271**	**$9,998,225**	**$10,640,079**	**$9,615,102**	**$9,886,398**	**$10,006,995**	**$10,202,023**	**$10,528,750**	**$10,656,721**	**$11,191,388**	**$11,528,218**
V	*Revenues in excess/(over) Expend*	$387,369	$1,117,605	$436,682	($261,456)	($936,200)	$283,305	$209,917	$291,186	$302,061	$185,356	$271,607	($44,553)	($158,506)
VI	**End of Year Balance**	**$5,050,147**	**$6,167,752**	**$6,604,434**	**$6,342,978**	**$5,406,778**	**$5,690,083**	**$5,900,000**	**$6,191,186**	**$6,493,247**	**$6,678,604**	**$6,950,211**	**$6,905,658**	**$6,747,152**

VILLAGE OF LAKE BLUFF **FY2016-FY2027 PRELIMINARY PROJECTIONS**
GENERAL FUND BALANCE

Last Updated
3/11/2016

last year of debt pmt

	GENERAL FUND	Actual FY 2014	Actual FY 2015	**Estimated FY 2016**	**Budget FY 2017**	**Budget FY 2018**	Projected FY 2019	Projected FY2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
VII	*Assigned Fund Balance*													
	Potential Revenue Loss or Gap			$ -	$ -	$ -	$ 250,000	$ 252,500	$ 255,000	$ 257,600	$ 260,200	$ 262,800	$ 265,400	$ 268,100
VIII	**End of Yr Unreserved Fund Bal**	**$5,050,147**	**$6,167,752**	**$6,604,434**	**$6,342,978**	**$5,406,778**	**$5,440,083**	**$5,647,500**	**$5,936,186**	**$6,235,647**	**$6,418,404**	**$6,687,411**	**$6,640,258**	**$6,479,052**
IX	**Target Operating Reserve[1] 50%**	**$3,636,713**	**$3,751,462**	**$3,852,860**	**$3,974,828**	**$4,071,440**	**$4,202,551**	**$4,338,199**	**$4,478,498**	**$4,496,012**	**$4,646,875**	**$4,803,360**	**$4,965,694**	**$5,134,109**
	Reserve Excess/(Deficit)	$ 1,413,434	$ 2,416,290	$ 2,751,575	$ 2,368,151	$ 1,335,339	$ 1,237,533	$ 1,309,301	$ 1,457,688	$ 1,739,636	$ 1,771,528	$ 1,884,051	$ 1,674,564	$ 1,344,943
X	***Operating Expenditures as a % of End of Year Unreserved Balance***	69.4%	82.2%	85.7%	79.8%	66.4%	64.7%	65.1%	66.3%	69.3%	69.1%	69.6%	66.9%	63.1%
XI	Personnel Expenditures as a % of Operating Revenues (f/a)	47.1%	40.3%	41.3%	43.3%	44.2%	45.0%	45.9%	46.8%	47.7%	48.7%	49.6%	50.6%	51.6%

[1]Operating reserve is operating expenditures (line II) plus Debt & Police Pension Transfers (lines m & o)

FINANCE CMTE ITEM #V

VILLAGE OF LAKE BLUFF

NORTH SHORE LIFE
LAKE BLUFF STYLE

MEMORANDUM

TO: Finance Committee Chairman and Members
Village President and Board of Trustees

FROM: Drew Irvin, Village Administrator
Susan M. Griffin, Director of Finance

Cc: Department Directors
Marlene Scheibl, Assistant Finance Director

DATE: March 11, 2015

SUBJECT: Moody's Investor Service Issue Comment

Attached is a copy of an Issuer Comment report issued by Moody's Investor Service dated March 9, 2016. Moody's rated the Village's outstanding bond issues Aaa which is the most favorable rating. This report, which affirms the current rating, is provided so that the secondary bond market is advised that the Village's finances and governance still merit this rating.

MOODY'S INVESTORS SERVICE

ISSUER COMMENT
9 March 2016

RATING

General Obligation (or GO Related)[1]

Aaa	No Outlook

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Village of Lake Bluff, IL

Annual Comment on Lake Bluff

Issuer Profile

The Village of Lake Bluff is located in Lake County in northeastern Illinois, on the western shore of Lake Michigan, approximately 30 miles north of Chicago. Lake Bluff has a population of 5,722 people and attained home rule status in 2005, which gives the village significant revenue-raising flexility. Lake County has a population of 705,186 and a population density of 1,589 people per square mile. The county's per capita personal income is $65,329 (1st quartile) and the October 2015 unemployment rate was 5.1% (3rd quartile).[2] Wholesale trade, manufacturing, management and professional/technical services are key drivers of the local economy. Some 70 companies have their corporate or division headquarters in the county, the largest of which include Abbott Laboratories, Baxter International, Coleman Cable, Hospira, Inc., Medline Industries, W.W. Grainger, Walgreen Company, and Takeda Pharmaceuticals Technologies. Great Lakes Naval Training Center, county and local government, and education are also major employers in the county.

Credit Overview

The credit position for Lake Bluff is of the highest quality, and its Aaa rating far surpasses the median rating of Aa3 for cities nationwide. The credit drivers include a very strong financial position, and a superior socioeconomic profile with a good-sized tax base. It also takes into account an extremely small debt burden with a moderate pension liability.

Finances: The financial position of the village is robust and is consistent with the assigned rating of Aaa. The fund balance as a percent of operating revenues (65.5%) far exceeds the US median. Furthermore, Lake Bluff's cash balance as a percent of revenues (62.8%) is far above other Moody's-rated cities nationwide and grew materially from 2012 to 2015.

Economy and Tax Base: The economy and tax base of the village are very healthy. However, they are slightly weak compared to other Aaa rated cities, towns and villages across the US. The full value per capita ($251,660) is much stronger than the US median. Furthermore, the median family income equals a robust 248.2% of the US level. However, the total full value ($1.4 billion) is consistent with other Moody's-rated cities nationwide and decreased materially from 2012 to 2015.

Updated the Issuer Profile to include the date the village attained home rule status

Debt and Pensions: The village's net direct debt to full value (0.1%) is materially below the US median. However, the Moody's-adjusted net pension liability to operating revenues (1.7x) unfavorably slightly exceeds the US median and rose modestly from 2012 to 2015.

Management and Governance: The ability to generate positive operating margins demonstrates strong financial management. Favorably, on average, Lake Bluff's operations were positive even as the tax base generally weakened.

Illinois cities have an institutional framework score [3] of "A," or moderate. Revenue predictability is moderate, with varying dependence on property, sales, and state-distributed income taxes. Revenue-raising ability is also moderate but varies. Home rule entities have substantial revenue-raising authority. Non-home rule entities are subject to tax rate limitations, and total operating tax yield for non-home rule entities subject to the Property Extension Limitation Law (PTELL) is capped at the lesser of 5% or CPI growth, plus new construction. Expenditures are moderately predictable but cities have limited ability to reduce them given costs for pension benefits that enjoy strong constitutional protections.

Sector Trends - Illinois Cities

Illinois cities (a sector that includes cities, towns, and villages) face uncertainty stemming from the state's budgetary challenges. The governor has proposed cutting income tax distributions to cities and freezing property tax revenues. Property valuation declines have been severe in the northern region of the state, translating into reduced operating revenue for some municipalities. However, downstate valuations have remained largely stable in recent years. Most cities have been making pension contributions at or near actuarial guidelines and are therefore not expected to face dramatic pension cost increases in 2016 when the state can enforce minimum contributions.

Exhibit 1

Key Indicators[4] [5]

Lake Bluff, IL

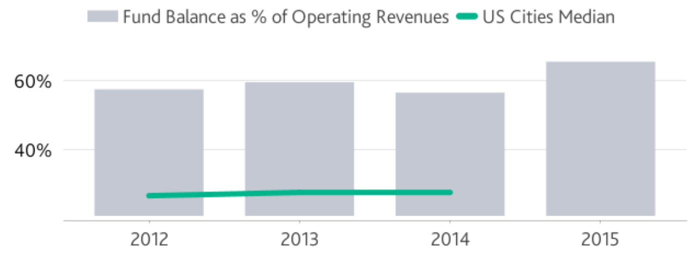
	2012	2013	2014	2015	US Median	Credit Trend
Economy / Tax Base						
Total Full Value	$1,655M	$1,521M	$1,454M	$1,440M	$1,727M	Weakening
Full Value Per Capita	$289,308	$265,820	$254,150	$251,660	$89,077	Weakening
Median Family Income (% of US Median)	248.2%	248.2%	248.2%	248.2%	115.2%	Stable
Finances						
Fund Balance as % of Operating Revenues	57.5%	59.6%	56.6%	65.5%	27.7%	Improving
Cash Balance as % of Operating Revenues	52.8%	61.9%	55.0%	62.8%	30.1%	Improving
Debt / Pensions						
Net Direct Debt / Full Value	0.12%	0.27%	0.11%	0.10%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.24x	0.47x	0.17x	0.14x	0.93x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.71%	0.92%	1.1%	1.2%	1.5%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.39x	1.60x	1.58x	1.68x	1.20x	Stable

Source: Moody's

Exhibit 2

Fund balance as a percent of operating revenues grew between 2012 and 2015

Fund Balance as a Percent of Operating Revenues

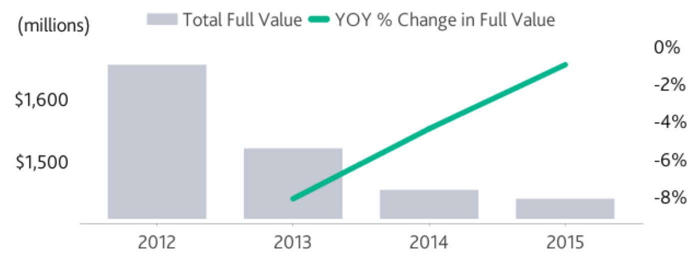


Source: Issuer financial statements; Moody's

Exhibit 3

Total full value decreased from 2012 to 2015

Total Full Value

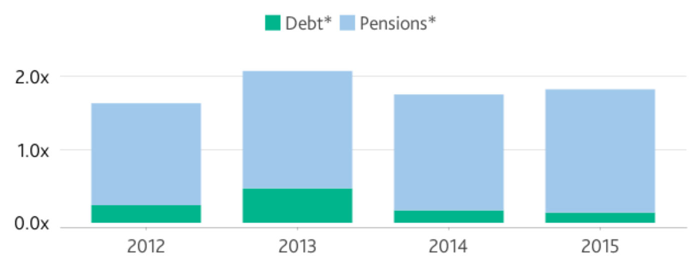


Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Exhibit 4

Moody's-adjusted net pension liability to operating revenues grew from 2012 to 2015

Net Direct Debt and Adjusted Net Pension Liability / Operating Revenues



*Debt is represented as Net Direct Debt / Operating Revenues. Net Direct Debt is defined as gross debt minus self supporting debt. Pensions are represented as ANPL / Operating Revenues. ANPL is defined as the average of Moody's-adjusted Net Pension Liability in each of the past three years.
Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Endnotes

1 The rating referenced in this report is the government's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally a security backed by the full faith and credit pledge and total taxing power of the local government. See Local Government GO Pledges Vary Across States. for more details. GO-related ratings include issuer ratings, which are GO-equivalent ratings for governments that do not issue GO debt. GO-related ratings also include ratings on other securities that are notched or otherwise related to what the government's GO rating would be, such as annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantee or enhancement programs or bond insurance.

2 The per capita personal income data and unemployment data for all counties in the US census are allocated to quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile. The first quartile consists of the top 25% of observations in the dataset, the second quartile consists of the next 25%, and so on. The median per capita personal income for US counties is $46,049 for 2014. The median unemployment rate for US counties is 4.7 % for October 2015.

3 The institutional framework score measures a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See US Local Government General Obligation Debt (January 2014) for more details.

4 For definitions of the metrics in the Key Indicators Table, see US Local Government General Obligation Methodology and Scorecard User Guide (July 2014). The population figure used in the Full Value Per Capita ratio is the most recently available, most often sourced from either the US Census or the American Community Survey. Similarly, the Median Family Income data reported as of 2012 and later is always the most recently available data and is sourced from the American Community Survey. The Median Family Income data prior to 2012 is sourced from the 2010 US Census. The Full Value figure used in the Net Direct Debt and Moody's-adjusted Net Pension Liability (3-year average) ratios is matched to the same year as audited financial data, or if not available, lags by one or two years. Certain state-specific rules also apply to Full Value. For example, in California and Washington, assessed value is the best available proxy for Full Value. Metrics represented as N/A indicate the data were not available at the time of publication.

5 The medians come from our most recently published local government medians report, Updated 2013 US Local Government Medians Demonstrate Stability of Sector (August 2015). The medians conform to our US Local Government General Obligation Debt rating methodology published in January 2014. As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population. We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2013. However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey. Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation. Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians. Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category. Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

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