The Civic Federation

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DUPAGE COUNTY PROPOSED FY2012 FINANCIAL PLAN:

Analysis and Recommendations

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EXECUTIVE SUMMARY

The Civic Federation **supports** the DuPage County Proposed FY2012 Financial Plan of $434.7 million. The County is reducing expenditures for the third year in a row while pledging to maintain the existing level of service and keep the property tax levy at the same level as last year.

In order to properly plan for the most efficient and effective use of taxpayer resources in this uncertain economic climate, the Civic Federation recommends that DuPage County fully adopt the planning policies enumerated in our budget analyses over the past several years.

The Civic Federation identifies the following **key findings** on the FY2012 proposed budget:

- The FY2012 proposed operating and capital budget of $434.7 million, which excludes grant revenue estimates, DuPage County Health Department, Emergency Telephone Systems Board (ETSB) and Special Service Areas, represents a decrease of $10.3 million, or 2.3%, from the FY2011 current appropriation of $445.0 million;
- General Fund appropriations will increase to $169.2 million, rising by $3.3 million, or 2.0%, from last year's current appropriation of $165.8 million;
- DuPage County property tax levy will remain flat at $66.6 million;
- The total full-time headcount for DuPage County is proposed to decline by 0.1% in FY2012 over FY2011 final approved budget figures. The number of full-time positions will fall from 2,270 to 2,268 full-time positions; and
- At the end of FY2010, the County had a fund balance ratio of 44.3% of operating expenditures, or $59.9 million.

The Civic Federation **supports** the following items in the County's FY2012 proposed budget:

- Modernizing personnel policies;
- Reinstating pension funding at 100% of annual required contribution levels;
- Keeping the property tax levy at the same level in FY2012 as in the previous year;
- Maintaining an adequate financial safety net via proper funding of the General Fund cash balance reserves;
- Reducing personnel headcount; and
- Pursuing alternative options to more efficiently provide services offered by the County's Youth Home through consolidation or partnerships with other counties.

However, the Civic Federation has **concerns** about the FY2012 proposed budget including:

- Continuing escalation in personnel expenses despite a reduction in the total number of employees.
- Lack of a formal Capital Improvement Plan that would give the public access to aggregate data, financing strategies, timelines and narrative sections explaining how projects are identified and prioritized; and

- Lack of a formal, comprehensive, publicly available long-term financial plan that is shared with and reviewed by key policymakers and stakeholders.

The Civic Federation offers the following **recommendations** to improve DuPage County's financial management:

- Build upon recent efforts to improve the budget format by adding the following to further improve transparency: grant data, DuPage County Health Department and ETSB financial data, personnel data, personnel services data, aggregate object level data, a narrative section explaining links between strategic goals and budget priorities and additional narrative sections;
- Develop and implement a performance measurement system in order to facilitate analysis of program results and keep policymakers and taxpayers informed of the County's achievements compared with expectations;
- Create a formal Capital Improvement Plan in order to keep taxpayers abreast of capital needs and priorities, as well as the progress of capital projects;
- Implement a formal long-term financial planning process involving public input that links policy and program priorities to the County's financial resources and prepares for future contingencies before they arise; and
- Continue modernization of personnel policies, including recurring evaluation of employee health insurance contribution rates.

CIVIC FEDERATION POSITION

The Civic Federation **supports** DuPage County's Proposed FY2012 Financial Plan. The County is reducing expenditures for the third year in a row while pledging to maintain core services for its residents. While the FY2012 budget proposes 2% compensation increases, the County is again reducing employee headcount and modernizing its personnel policies. In addition, the County is holding its property tax levy flat.

In order to properly plan for the most efficient and effective use of taxpayer resources in this uncertain economic climate, the Civic Federation recommends that DuPage County fully adopt the planning policies enumerated in our budget analyses over the past several years. Now is the time for the County to develop a robust performance management system that will help guide its future policy decisions. It should also replace its existing capital projects list with a comprehensive Capital Improvement Plan that provides both staff and residents with a clearer picture of the County's ongoing and future infrastructure projects. Finally, long-term financial planning must be a priority and incorporate the findings from the performance management system and Capital Improvement Plan to target continually scarce resources toward the most effective and necessary programs for County residents.

Issues the Civic Federation Supports

The Civic Federation supports the following features of the Proposed FY2012 Financial Plan for DuPage County.

Modernizing Personnel Policies

Despite the County's efforts to reduce employee headcount, personnel expenses are expected to continue to rise in FY2012, increasing by 3.2% from $187.6 million to $193.5 million. The FY2012 budget projects 9% annual increases in health insurance costs through FY2016.[1] To manage increasing healthcare costs, the FY2012 financial plan proposes to increase employee contributions to health insurance by $10 per month per participating employee.[2]

In order to further address growing personnel costs, the County proposes to modernize its personnel procedures through revision of its vacation and sick day policies for non-union employees. As of December 1, 2011, sick days will be de-monetized and sick day accrual amounts will be limited to 120 days. Similarly, DuPage County will reduce vacation days by trading two vacation days for two personal days, limit the vacation day cash-out amount for terminated employees to 35 days and limit rollover of vacation days from one fiscal year to the next to 10 days.[3] Through these changes, the County expects to gain $20 million in savings over the next twenty years.[4]

[1] DuPage County Proposed FY2012 Financial Plan, p. 56.
[2] DuPage County Proposed FY2012 Financial Plan, p. 43 and email communication between the Civic Federation and Frederic Backfield, Chief Financial Officer for DuPage County, October 6, 2011.
[3] Information provided by DuPage County Chief Financial Officer, September 12, 2011.
[4] DuPage County Proposed FY2012 Financial Plan, p. 45.

The Civic Federation commends DuPage County for assessing and redeveloping its personnel policies and encourages the County to continue its evaluation for future modernization efforts.

Reinstating Pension Funding at 100% of Annual Required Contribution Levels

For 2010 and 2011, the Illinois Municipal Retirement Fund allowed members the option to pay less than the annual required contribution (ARC) as a response to 2008 investment losses. DuPage County elected this option for both years and contributed at less than 100% for two of its found employee retirement groups. The County contributed at 87% and 94% of the ARC to the Regular County Employees and the Sheriff's Law Enforcement Personnel groups, respectively.DuPage County will not increase the property tax levy in FY2012; instead the levy will remain flat at the FY2011 level of $66.6 million. Overall, property taxes will generate $17.9 million for the County's Health Department

The Civic Federation opposes pension holidays as they fail to deal with pensions as an ongoing operating cost and effectively push costs onto future taxpayers. At the same time, we do applaud the County for returning to funding its retirement groups at 100% of the ARC and encourage DuPage County to continue this practice in the future.

Keeping the Property Tax Levy Stable

DuPage County will not increase the property tax levy in FY2012; instead the levy will remain flat at the FY2011 level of $66.6 million. Overall, property taxes will generate $17.9 million for the County's Health Department and $48.7 million for the County. At this time, the County's long-term financial outlook through FY2016 does not project any increase in the property tax levy.

The Civic Federation supports DuPage County in its efforts to limit increases to the property tax levy. The County is working within its existing revenues at a time when many citizens are still feeling the impact of the economic downturn.

Maintaining Adequate Reserve Funds

The Civic Federation supports the County's efforts to maintain its reserve fund. Having a healthy reserve fund allows the government to adjust to unexpected events without making sudden changes to tax rates or service levels. The Government Finance Officers Association (GFOA) recommends that governments maintain an unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or expenditures, which is equal to approximately 17%. As of the end of FY2010, the County had a fund balance ratio of 44.3% of operating expenditures, or $59.9 million. The County's fund balance includes a strategic reserve account established in FY2009 to stabilize operations in case of an emergency or severe economic event.

Reducing Personnel Headcount

The total full-time headcount for DuPage County government is proposed to decline by 0.1% in FY2012 over FY2011 final approved budget figures. This is a total decrease of two full-time positions in the number of overall positions, reducing full-time positions from 2,270 to 2,268. The County does not project any increases in full-time headcount in FY2012 through FY2016.[5]

Personnel costs are the major cost driver for most governments and DuPage County is no exception. Governments that are not proactive in addressing structural challenges and falling revenues often have little choice other than to turn to blunt instruments to reduce these expenses, such as furlough days and layoffs. These methods can be extremely disruptive not only to employees, but to government managers and citizens receiving services. Utilizing attrition to reduce staffing costs, as the County is proposing, is a more desirable approach.

Pursuing Alternative Options for Operating Youth Home

The County is also exploring its options with regard to the services provided by its Youth Home. The Youth Home, appropriations for which will total $2.9 million in FY2012, is part of the County's larger criminal court system and operates as a detention center for juvenile cases.[6] The County entered into a Memorandum of Agreement with three other facilities in Kane, Winnebago and Lake Counties for support and sharing of services in the event of an emergency. For the past two years, the County has been discussing possible consolidation of its youth home services, either by closing its own home and working with Kane County to provide Youth Home services, or by serving as the youth services hub for other counties.[7]

The Civic Federation supports the County's efforts to maximize efficiency in delivering Youth Home services by moving forward with a formal feasibility analysis of this option. The Civic Federation believes that if certain guidelines are met and the interests of the youth and families of DuPage County are carefully considered, consolidation of services can result in more efficient and cost-effective service delivery. Reductions in state funding highlight a need to streamline this service. We recommend that the County continue to evaluate options for the Youth Home to properly determine how to provide this service going forward. We applaud the County for its continued consideration of entering into a Youth Home service delivery partnership with other counties.

Civic Federation Concerns

The Civic Federation has the following concerns about the proposed FY2012 DuPage County budget.

Escalating Personnel Costs

Personnel expenses continue to rise despite a reduction in the total number of employees. The total full-time headcount for DuPage County government is declining by 0.1% in FY2012, while personnel expenses rise by $5.9 million over the FY2011 budget. One of the cost drivers of personnel expenses is health insurance costs, which are expected to increase by 9% in FY2012.

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[5] DuPage County Proposed FY2012 Financial Plan, p. 52.
[6] DuPage County Proposed FY2012 Financial Plan, p. 105.
[7] DuPage County Proposed FY2012 Financial Plan, p. 44.

The County is projecting that these costs will continue to rise at this same rate throughout the next five years.[8]

Lack of a Complete Formal Capital Improvement Plan

In DuPage County's Proposed FY2012 Financial Plan, there is a detailed list of capital projects that itemizes by fund the projected capital expenditures through FY2016.[9] Costs per year are listed for each project, and these lists are updated annually in the financial plan.

The Civic Federation is pleased to see that this important information is provided to the public. However, we are concerned by the lack of a formal Capital Improvement Plan (CIP) that would include aggregate data, financing strategies, timelines and narrative sections explaining how projects are identified and prioritized.

First, the existing capital projects list does not provide concise, aggregate financial information reflecting the amount that will be spent on capital projects. Aggregate data that communicates the total cost of capital projects for each year by both fund and program are necessary to give residents of DuPage County a complete understanding of the capital plan.

Second, there is no specific description of funding sources, making it difficult to understand how DuPage intends to finance the various capital projects. The Civic Federation is concerned that the public does not have access to information identifying how cost projections were developed. It is also difficult for the public to assess the affordability of the projects proposed if the County does not identify funding sources.

Third, listing projects or providing tables and charts without any accompanying narrative explanation of the data seriously limits the effectiveness of the entire Capital Improvement Plan. Written analysis and explanation is a key element of any Capital Improvement Plan, and the lack of such a section gives us pause when evaluating the FY2012 financial plan. Narrative explanations could also link the Capital Improvement Plan to the goals identified in the County's 2007 strategic plan.

Fourth, there is no discussion of the prioritization process used to identify and select projects for funding. It is difficult to determine how projects were chosen using just the information provided in the FY2012 plan.

Fifth, no information is provided regarding the timeframe for completing capital projects. It is important for taxpayers to know how long it will take to complete a project, as well as its total cost.

A large, professional and modern government such as DuPage County should develop and make publicly available a formal Capital Improvement Plan.

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[8] DuPage County Proposed FY2012 Financial Plan, p. 56.
[9] DuPage County Proposed FY2012 Financial Plan, pp. 461-498.

Lack of a Formal Long-Term Financial Plan

The DuPage County Board undoubtedly employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. The Proposed FY2012 Financial Plan does include a five-year outlook for the General Fund, Stormwater Management, Public Works, the Division of Transportation and the Convalescent Center. This is important information, and we commend the County for including it in the budget.[10] However, the County Board has not developed a formal, comprehensive, publicly available long-term financial plan that is shared with and reviewed by key policymakers and stakeholders.

Long-term financial planning is a strategic process that provides governments with the insights and information needed to establish multi-year financial policies and pursue actions that maintain good fiscal health. This type of planning also provides stakeholders with important information about the future of the County. In light of the County's increasing operating expenses and uncertain economic situation, a formal long-term financial plan is necessary to guide the County as it faces difficult decisions in the future.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to improve the financial management practices in County government.

Continue to Improve Budget Document Transparency

DuPage County has made many improvements to its budget document in recent years. We recommend that the County continue that effort by making the following additions and changes to better inform DuPage County residents.

- *Grant Data*: The Civic Federation recommends that the County include financial data regarding grant funds and grant-funded positions in its proposed financial plan document. Currently, grants are approved on an individual basis throughout the year and excluded from the proposed budget. In FY2009, DuPage County received $32.3 million in grant revenues — a significant amount of revenue.[11] While we understand the uncertain nature of this revenue stream and the fact that grant decisions are made throughout the fiscal year, the Board and taxpayers are not provided with a full understanding of the County's total revenues and expenditures without this information present in the proposed budget.

- *DuPage County Health Department and Emergency Telephone Systems Board (ETSB):* In addition to grant funds, the DuPage County Health Department and Emergency Telephone Board budgets are also not included in the proposed budget, but are subject to County Board approval.[12] Although legally separate entities, they are included in audited financial statements because the County is considered financially accountable and because they are in

[10] DuPage County Proposed FY2012 Financial Plan, pp. 50-57.
[11] DuPage County FY2011 Financial Plan, p. 557.
[12] DuPage County Proposed FY2012 Financial Plan, p. 44.

substantive part of the County operations.[13] In FY2011, the Health Department budget was $48.7 million, and the ETSB budget was $28.8 million.[14] It is commendable that the County does clearly state which agencies are not included the proposed budget. However, financial information about these agencies should be added to the proposed budget document to provide a full picture of County finances.

- *Personnel Data*: The Civic Federation recommends that DuPage County include information on part-time and contractual positions in the form of full-time equivalent (FTE) positions in the proposed budget document. Currently, the County's personnel data only reflects the number of full-time, salaried employees. The employee totals do not include part-time employees. Full-time equivalent employee calculations should be added to reflect the total number of people employed by a unit of government, including full-time, part-time and temporary employees. Given the rising personnel costs the County is experiencing, clear FTE data is critical.

- *Personnel Services Data*: As DuPage County continues to modernize its personnel and benefits policies, the Civic Federation recommends that it improve the presentation of personnel services information in the budget document. While IMRF and Social Security expenditures are presented separately in the "Total Department Costs with Indirects" table, employee health insurance benefits, other benefits and salary costs are not shown discretely by department or function. Similarly, the "General Fund Five-Year Outlook" table would be improved if salary costs were clearly identified together with the Personnel Overhead breakout. The Civic Federation also recommends that the Cost Allocation Plan used to attribute indirect costs to departments be published in the proposed budget book.

- *Aggregate Object Level Data:* DuPage County includes object level information at the departmental level. In addition, it should also include current and historical aggregate information at the object level so trends can be reviewed.

- *Narrative and Data Section Explaining Links between Strategic Goals and Budget Priorities*: The DuPage County FY2010 Financial Plan provided a chart that linked budget recommendations to strategic issues and goals identified in the County's strategic plan.[15] These charts were very useful in that they provided lists by both fund and functional area that identified how strategic planning issues and goals were being addressed by the financial plan. This level of detail was not provided in the Proposed FY2012 Financial Plan.

  The Civic Federation recommends that the County provide the information published in FY2010 on an annual basis in the financial plan document and add narrative information to the strategic planning and budget charts. The charts are a useful addition to the budget document and help identify funding priorities. However, providing only the charts makes it difficult for the reader to fully understand the data. A detailed narrative section, describing both the chart data and the organization of the chart itself, would make this information more useful and easier to understand. It would make it easy for the public to determine whether the

[13] DuPage County FY2010 Comprehensive Annual Financial Report, p. 31.
[14] DuPage County FY2011 Financial Plan, pp. 567 and 577.
[15] DuPage County FY2010 Financial Plan, p. 56.

County is funding new or existing initiatives and how funding priorities relate to the strategic plan.

- *Additional Narrative Sections*: While it is important to include raw data and accompanying charts in each financial plan, too often this information is difficult to understand without an accompanying narrative section. Written explanations of appropriations and revenues for each fund, as well as for each program, are necessary to explain the data contained in the budget charts and for a more complete understanding of the County's annual financial plans. The executive summary is a very useful tool for the reader to understand the broad policies advanced by the budget. However, smaller summaries describing the charts that follow the executive summary are also necessary as the broad scope of the executive summary does not assist the reader in understanding the information contained in the multitude of charts that follow.

Develop and Implement a Performance Measurement System

Given the current administration's stated intention of improving management efficiency over the long term, the Civic Federation believes a performance measurement program is an essential tool for DuPage County government. The performance measurement system should be used to inform and guide annual appropriation decisions. By evaluating and reporting program measurement results, the County Board can also keep policymakers and taxpayers informed about actual achievements as compared to expectations.[16]

It is both expensive and inefficient to produce reams of measures that are developed without the involvement of management and staff or that are not connected to program goals and objectives. However, a few well-chosen measures of efficiency and effectiveness, implemented consistently and utilized to inform management decisions, could prove valuable as the DuPage County Board seeks to improve its management and operations. Many governments pilot such programs initially to deal with problems that may arise, to test different approaches and to facilitate staff cooperation. A pilot program is a reasonable way to undertake the implementation of a performance measurement system.

Ultimately, the Civic Federation urges the DuPage County Board to develop and adopt a comprehensive performance measurement system.

Develop a Formal Capital Improvement Plan

County residents cannot be certain that DuPage County's capital spending will address its most critical infrastructure needs because it does not currently have a comprehensive Capital Improvement Plan (CIP).

Although the County provides information on its capital spending annually, including estimated costs for some pay-as-you-go funded projects and previously approved bond-funded sewer and

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[16] See Recommended Practice 11.1 "Monitor, Measure, and Evaluate Program Performance," in National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (Chicago: GFOA, 1998).

road programs, more detail regarding the capital needs and the prioritization for projects should be made available. In order to ensure the effectiveness of capital spending, DuPage County should develop a comprehensive CIP that includes a prioritized list of all proposed capital projects and funding sources. Goals and guidelines in a CIP document help manage capital spending effectively to meet legislative goals. These goals should include maintaining current assets while improving those assets through upgrades and monitoring any increase in operational cost that often accompanies new capital projects.

The County's capital program should also identify the funding source for all current and future planned capital investments. The type of funding should be analyzed for the appropriate use of bond funds, pay-as-you-go funds and ongoing capital leases. Long-term bond proceeds should only be used to fund projects with an estimated life as long as or longer than the term of the debt. Investments in capital assets with shorter life spans should be analyzed and prioritized for pay-as-you-go funding or capital leases to ensure effective use of capital funding sources.

Capital reserve funds should also be established for appropriated short-term capital equipment replacement. Funding should be set aside annually in order to pay for new equipment within the expected usable life of each particular asset.

The Civic Federation agrees with the National Advisory Council on State and Local Budgeting (NACSLB) that all governments should develop a five-year Capital Improvement Plan (CIP) that identifies priorities, provides a timeline for completing projects and identifies funding sources for projects. The CIP should be updated annually and have formal approval by the governing body.[17] A formal CIP includes the following information:

- A five-year summary list of projects, expenditures per project and funding sources per project;
- Information about the impact of capital spending on the annual operating budget for each project;
- Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project; and
- The time frame for fulfilling capital projects and priorities.

Above all, the CIP should be predicated on a publicly disclosed needs assessment and prioritization process.

In addition, the CIP should be made publicly available for review by elected officials and citizens. It should be published in the budget or as a separate document. The CIP should be also made available on the government's website.

[17] National Advisory Council on State and Local Budgeting. Recommended Practice 9.6: Develop a Capital Improvement Plan.

Implement a Formal Long-Term Financial Planning Process

The Civic Federation recommends that the DuPage County Board develop and implement a formal long-term financial planning process that is not only reviewed internally, but that is made widely available to allow for input from key policy stakeholders and the public.

A long-term financial plan (LTFP) is a formal document that summarizes the information and insights developed during the long-term financial planning process. The NACSLB and the Government Finance Officers Association (GFOA) both recommend that all governments formally adopt a long-term financial plan as a key component of a sound budget process.[18] A typical LTFP consists of a three- to five-year forecast of revenues, expenditures and debt capacity and an assessment of historical economic and financial trends. It also includes an evaluation of problems or opportunities and the actions required to address them properly, such as gap-closing or surplus management. The benefits of long-term financial planning include verifying whether:

- Revenues are adequate to maintain services at current levels;
- Financial resources are sufficient to address future operating and capital expenditures;
- It is possible to expand existing programs or initiate new ones; and
- It is prudent to issue new debt to fund new capital projects.

By effectively linking policy and program priorities to the financial resources available currently and in the near future, the long-term financial planning process helps governments prepare for future contingencies before they become crises.

We recommend that the County Board develop a long-term financial plan that is based upon and complements the completed strategic plan. By linking the strategic goals to the financial resources available now and in the future, a long-term financial plan will complete the County's long range view and help to maintain good fiscal health over time.

Continue Modernization of Personnel Policies

The Civic Federation recommends that DuPage County continue to explore modernization of personnel policies including, but not limited to, evaluating employee contribution rates to health insurance. As healthcare costs rise annually, the County should re-assess employer and employee contribution rates to ensure rates are maintained at reasonable and fiscally responsible levels.

ACKNOWLEDGMENTS

The Civic Federation would like to express its appreciation to DuPage County Chief Financial Officer Frederic Backfield, Chief of Staff Tom Cuculich and staff for their hard work in preparing this budget and their willingness to answer our questions.

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[18] *See* National Advisory Council on State and Local Budgeting and Government Finance Officers Association.

APPROPRIATIONS

This section of the analysis presents an overview of DuPage County government appropriation trends. Appropriations are compared across two-year and five-year trends and by fund type and function.

Two-Year and Five-Year Appropriations for All Funds

DuPage County proposes a FY2012 budget of $434.7 million. The budget is a 2.3%, or $10.3 million, decrease from the FY2011 current budget of approximately $445 million.[19] These figures exclude grants, DuPage County Health Department, ETSB and Special Service Areas.

Total appropriations for DuPage County are divided into the following five funds:

- *General Fund:* chief operating fund and primary source for basic governmental activities;
- *Special Revenue Funds:* funds from restricted revenue sources designated for specific uses;
- *Enterprise Funds:* funds that are operated and financed similarly to private business enterprises; intended to be self-supporting, primarily through user fees;
- *Capital Projects Fund:* funds used for acquisition or construction of capital facilities; and
- *Debt Service Fund:* used for the payment of principal, interest and agency fees on bonds issued by the County. [20]

General Fund appropriations will increase by $3.3 million, or 2.0%, from $165.8 million in FY2011 to $169.2 million in FY2012. Appropriations for Special Revenue Funds will decrease by $23.1 million, or 11.0%, from $209.6 million in FY2011 to $186.5 million in FY2012. Commodities and contractual appropriations in the Special Revenue Funds are decreasing by 6.3% and 38.6% from FY2011 current appropriations, respectively.[21] These changes are likely influenced by the County's overall decrease in commodities and contractual appropriations, which will decline by 5.0% and 19% in FY2012, respectively.[22] Enterprise Funds appropriations will increase slightly by 0.3%, or $64,604. Funding for Capital Projects will rise significantly by 28.6%, or $8.6 million. Debt Service Fund appropriations will increase by $808,974, or 5.3%.

DuPage County All Funds Appropriations: FY2011 & FY2012

Fund	FY2011 Current	FY2012 Proposed	$ Change	% Change
General Fund	$ 165,821,809	$ 169,157,465	$ 3,335,656	2.0%
Special Revenue Funds	$ 209,559,328	$ 186,490,343	$ (23,068,985)	-11.0%
Enterprise Funds	$ 24,127,933	$ 24,192,537	$ 64,604	0.3%
Capital Projects Fund	$ 30,113,232	$ 38,720,692	$ 8,607,460	28.6%
Debt Service Fund	$ 15,355,044	$ 16,164,018	$ 808,974	5.3%
Total	**$ 444,977,346**	**$ 434,725,055**	**$ (10,252,291)**	**-2.3%**

Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2011 and FY2012.

Source: DuPage County Proposed FY2012 Financial Plan, p. 108.

[19] The current budget is the County Board approved budget plus or minus any authorized budget transfers.
[20] DuPage County Proposed FY2012 Financial Plan, pp. 13-21.
[21] DuPage County Proposed FY2012 Financial Plan, p. 108.
[22] DuPage County Proposed FY2012 Financial Plan, p. 44.

In a five-year trend comparison from FY2008 to FY2012, DuPage County's appropriations are projected to increase by 34.0%, or $110.3 million, rising from $324.4 million to $434.7 million. Special Revenue Funds appropriations will increase by the greatest dollar amount, from $139.1 million in FY2008 to $186.5 million in FY2012. This is an increase of 34.1%, or $47.4 million. Appropriations for the Capital Projects Fund will increase by 410.1%, or $31.1 million, over this five-year period. This is due in part to a major increase in capital commitments between FY2009 and FY2010, when the capital projects budget was increased from $7.8 million to $47.4 million.

DuPage County All Funds Appropriations: FY2008 & FY2012

Fund	FY2008 Actual	FY2012 Proposed	$ Change	% Change
General Fund	$ 145,161,340	$ 169,157,465	$ 23,996,125	16.5%
Special Revenue Funds	$ 139,059,790	$ 186,490,343	$ 47,430,553	34.1%
Enterprise Funds	$ 19,392,835	$ 24,192,537	$ 4,799,702	100.0%
Capital Projects Fund	$ 7,591,348	$ 38,720,692	$ 31,129,344	410.1%
Debt Service Fund	$ 13,195,798	$ 16,164,018	$ 2,968,220	22.5%
Total	**$ 324,401,111**	**$ 434,725,055**	**$ 110,323,944**	**34.0%**

Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2008 and FY2012.

Source: DuPage County FY2011 Financial Plan, p. 104; Proposed FY2012, p. 108.

Two-Year and Five-Year Appropriations by Expense Category of General Fund

The DuPage County Proposed FY2012 Financial Plan includes a General Fund appropriation of approximately $169.2 million, excluding grant funds, DuPage County Health Department and ETSB budgeted amounts and Special Service Areas. This is an increase of 2.0%, or $3.3 million, from the FY2011 current budget. Personnel appropriations will increase by 2.9%, or $3.1 million, over FY2011 current amounts. This rise in personnel costs is due in part to an anticipated 9.0% increase in the County's contribution for employee health insurance. Personnel appropriations will account for 63.7% of all General Fund appropriations in FY2012, similar to FY2011 when Personnel appropriations represented 63.1% of the General Fund. Appropriations for Capital Outlay will decline by 50.2%, or $2.0 million, in FY2012. These appropriations reflect capital projects funded by General Obligation Series 2010 Bonds issued in October 2010.[23]

DuPage County General Fund Appropriations by Expense Category: FY2011 & FY2012				
Expense Category	FY2011 Current	FY2012 Proposed	$ Change	% Change
Personnel	$ 104,654,102	$ 107,713,309	$ 3,059,207	2.9%
Commodities	$ 5,580,964	$ 5,127,614	$ (453,350)	-8.1%
Contractual	$ 38,209,362	$ 40,204,844	$ 1,995,482	5.2%
Capital Outlay	$ 4,043,210	$ 2,013,555	$ (2,029,655)	-50.2%
Bond & Debt	-	-	-	-
Transfers Out	$ 13,334,171	$ 14,098,143	$ 763,972	5.7%
Total	**$ 165,821,809**	**$ 169,157,465**	**$ 3,335,656**	**2.0%**

Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2011 and FY2012.

Source: DuPage County FY2012 Financial Plan, p. 108.

[23] DuPage County Proposed FY2012 Financial Plan, p. 58.

Over the five-year period from FY2008 to FY2012, General Fund appropriations will increase by 16.5%, or nearly $24.0 million. Personnel appropriations will increase by 18.0%, or $16.4 million, over the five-year span. This significant increase is primarily due to the addition of 56 employment positions in the FY2009 budget, as prompted by the County's 2007 Strategic Plan.[24] Contractual appropriations will also increase, by 23.5%, or $7.7 million. Capital Outlay appropriations will decline by 43.8%, or $1.5 million, falling from $3.6 million in FY2008 to $2.0 million in FY2012.

DuPage County General Fund Appropriations by Expense Category: FY2008 & FY2012

Expense Category	FY2008 Actual	FY2012 Proposed	$ Change	% Change
Personnel	$ 91,281,338	$ 107,713,309	$ 16,431,971	18.0%
Commodities	$ 4,797,663	$ 5,127,614	$ 329,951	6.9%
Contractual	$ 32,546,574	$ 40,204,844	$ 7,658,270	23.5%
Capital Outlay	$ 3,580,764	$ 2,013,555	$ (1,567,209)	-43.8%
Bond & Debt	-	-	-	-
Transfers Out	$ 12,955,000	$ 14,098,143	$ 1,143,143	8.8%
Total	**$ 145,161,339**	**$ 169,157,465**	**$ 23,996,126**	**16.5%**

Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2008 and FY2012. Totals may differ due to rounding.

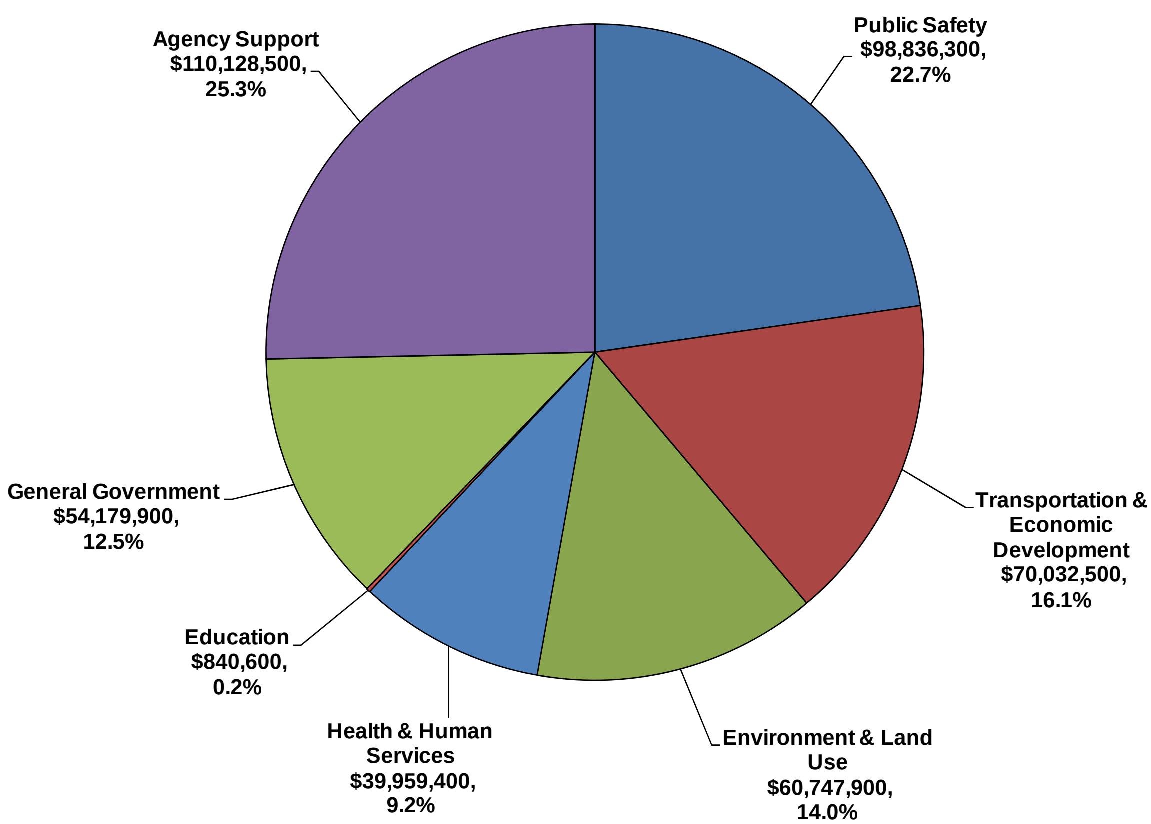
Source: DuPage County FY2011 Financial Plan, p. 104; Proposed FY2012, p. 108.

[24] DuPage County FY2009 Financial Plan, p. 33.

Two-Year and Five-Year Appropriations by Function for All Funds

The chart below illustrates appropriations by function for all funds for FY2012. Agency Support accounts for 25.3%, or $110.1 million, of total appropriations for DuPage County. Agency Support includes the Illinois Municipal Retirement Fund, Social Security and Employee Health Insurance.[25] Similarly, Public Safety makes up close to one-fourth of total appropriations, representing 22.7%, or $98.8 million. Transportation & Economic Development (16.1%), Environment & Land Use (14.0%), General Government (12.5%) and Health & Human Services (9.2%) represent 51.8% of total appropriations, while Education represents only 0.2%, or $840,600, of total appropriations.

DuPage County Appropriations by Function: FY2012



Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2011 and FY2012.
Source: DuPage County Proposed FY2012 Financial Plan, p. 59.

[25] DuPage County Proposed FY2012 Financial Plan, p. 60.

The following charts depict comparisons of appropriations by function for the FY2012 proposed budget compared to FY2011 current and FY2008 actual appropriations. Grant funds, DuPage County Health Department, ETSB and Special Service Areas are not included in these charts.

Appropriations for Public Safety in FY2012 will increase slightly by 0.9% from the previous year. Transportation and Economic Development appropriations will decrease by 23.6%, or $21.6 million. Appropriations for Environment and Land Use will decline by 17.0%, or $12.4 million. General Government appropriations will rise significantly by 42.8%, or $16.2 million, from $37.9 million in FY2011 to $54.2 million in FY2012. General Government includes General Obligation Series 2010 Bond projects.[26]

DuPage County Appropriations by Function: FY2011 & FY2012
(in $ thousands)

Function	FY2011 Current	FY2012 Proposed	$ Change	% Change
Public Safety	$ 97,916.5	$ 98,836.3	$ 919.8	0.9%
Transportation & Economic Development	$ 91,666.7	$ 70,032.5	$ (21,634.2)	-23.6%
Environment & Land Use	$ 73,167.7	$ 60,747.9	$ (12,419.8)	-17.0%
Health & Human Services	$ 39,060.3	$ 39,959.4	$ 899.1	2.3%
Education	$ 844.8	$ 840.6	$ (4.2)	-0.5%
General Government	$ 37,937.9	$ 54,179.9	$ 16,242.0	42.8%
Agency Support	$ 104,383.6	$ 110,128.5	$ 5,744.9	5.5%
Total	**$ 444,977.5**	**$ 434,725.1**	**$ (10,252.4)**	**-2.3%**

Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2011 and FY2012.

Source: DuPage County Proposed FY2012 Financial Plan, p. 59.

A five-year trend analysis between FY2008 actual appropriations and FY2012 proposed appropriations by function shows all categories will increase. Appropriations for General Government will experience the most significant change as they rise from $15.0 million to $54.2 million. This is an increase of 260.5%, or approximately $39.1 million. Appropriations for Transportation and Economic Development and Education will both increase by 42.3% over the five-year period, rising by approximately $20.8 million and $250,000, respectively. The remaining four categories of function will rise by amounts ranging from 11.6% to 28.8%.

DuPage County Appropriations by Function: FY2008 & FY2012
(in $ thousands)

Function	FY2008 Actual	FY2012 Proposed	$ Change	% Change
Public Safety	$ 86,615.4	$ 98,836.3	$ 12,220.9	14.1%
Transportation & Economic Development	$ 49,221.8	$ 70,032.5	$ 20,810.7	42.3%
Environment & Land Use	$ 54,455.4	$ 60,747.9	$ 6,292.5	11.6%
Health & Human Services	$ 32,955.1	$ 39,959.4	$ 7,004.3	21.3%
Education	$ 590.6	$ 840.6	$ 250.0	42.3%
General Government	$ 15,030.1	$ 54,179.9	$ 39,149.8	260.5%
Agency Support	$ 85,532.8	$ 110,128.5	$ 24,595.7	28.8%
Total	**$ 324,401.2**	**$ 434,725.1**	**$ 110,323.9**	**34.0%**

Notes: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2008 and FY2012. Totals may differ due to rounding.

Source: DuPage County FY2011 Financial Plan, p. 55; Proposed FY2012, p. 59.

[26] DuPage County Proposed FY2012 Financial Plan, p. 60.

RESOURCES

This section of the analysis presents an overview of DuPage County resource trends. Resources are compared across two-year and five-year trends.

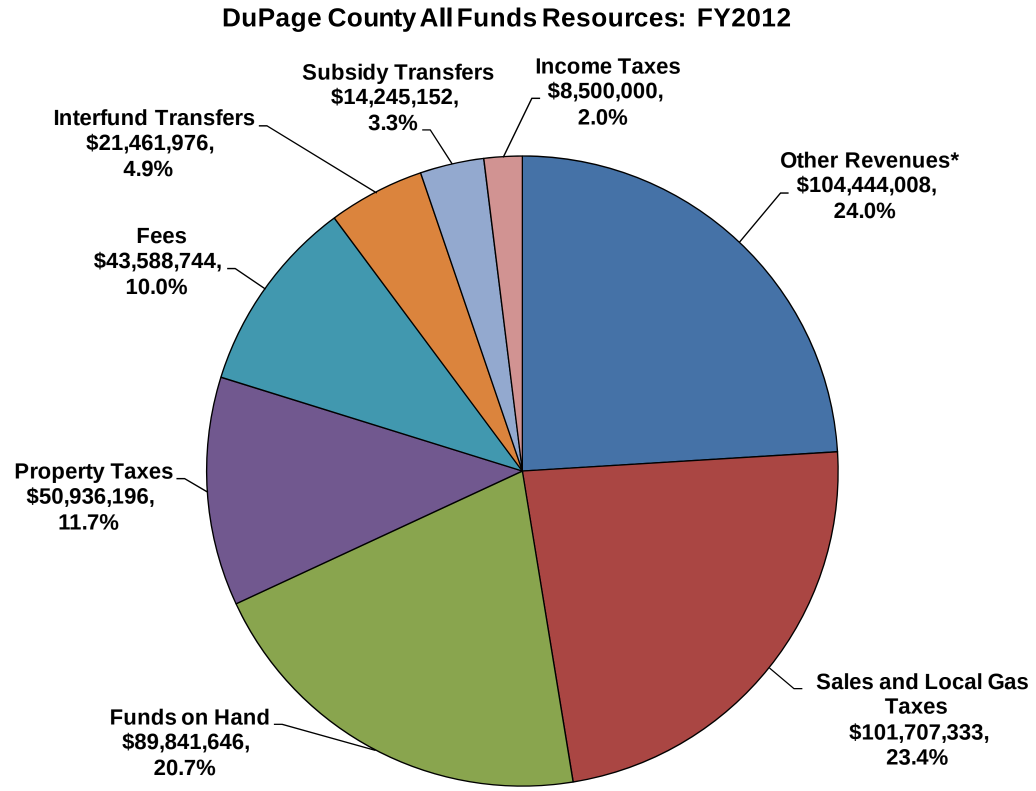
Resources for FY2012

In FY2012, DuPage County estimates a total of $434.7 million in revenues. The largest revenue category for the County is Other Revenues, generating 24.0%, or $104.4 million, of total revenues. The Other Revenues category includes fees, charges, intergovernmental distributions, inheritance tax, personal property replacement tax (PPRT), interest earnings and miscellaneous income. The largest sources in the Other Revenues category are the Convalescent Center ($32.2 million), Public Works ($21.1 million) and other revenue sources from the General Fund ($17.0 million).[27] The other revenue sources from the General Fund category include a $1.6 million federal bond subsidy, $15.4 million in interest earnings, PPRT, fees, fines and miscellaneous income.[28]

Sales and Local Gas taxes are the second largest category of revenue, comprising 23.4%, or $101.7 million, of revenues. Funds on Hand, or use of budgetary reserves, totals $89.8 million, or 20.7%, of projected resources. Property taxes will generate $50.9 million, or 11.7%, of all resources.

The proposed budget does not include grant revenues, which are typically significant sources of revenue. Grants are approved on an individual basis throughout the year and therefore are excluded from the budget.[29] The FY2011 revenue budget for grants was $87.5 million.[30] If a similar budget were adopted for FY2012, grants would account for one of the largest sources of funding, exceeding property tax revenue. The proposed budget also does not include the DuPage County Health Department and ETSB budgets, which are approved by their Boards and later compiled in the final proposed budget.[31] The final FY2011 Financial Plan included $48.7 million and $28.8 million in revenue respectively for those budgets.[32] Also excluded from the budget are Special Service Areas, which are distinct taxing jurisdictions.

[27] DuPage County Proposed FY2012 Financial Plan, p. 97.
[28] DuPage County Proposed FY2012 Financial Plan, p. 99.
[29] Information provided to the Civic Federation by DuPage County budget staff on September 12, 2011.
[30] DuPage County FY2011 Financial Plan, p. 556.
[31] DuPage County Proposed FY2012 Financial Plan, p. 44.
[32] DuPage County FY2011 Financial Plan, pp. 567 and 577.



Note: Excludes Grants, DuPage County Health Department, ETSB and Special Services Areas.
*Other Revenues include fees, charges, intergovernmental distributions, inheritance tax, personal property replacement tax (PPRT), interest earnings and miscellaneous income.
Source: DuPage County Proposed FY2012 Financial Plan, p. 77.

Two-Year and Five-Year Revenue Trends: General Fund

The General Fund accounts for revenues and expenditures for the general operations of the DuPage County government. Total General Fund revenues are projected to increase by 3.0% in FY2012 from the FY2011 current budget, rising from $164.2 million to $169.2 million. The increase is due in part to increased revenues from sales taxes and income taxes. Sales tax revenues will increase by 3.5%, or $2.8 million, growing from $79.4 million in FY2011 to $82.2 million in FY2012. The sales tax receipts into the General Fund include $42.4 million from the Regional Transportation Authority (RTA) supplemental 0.25 cent sales tax component, $34.4 million from the county-wide supplemental 0.25 cent sales tax, $4.1 million for the 1.0 cent charged in the County's unincorporated areas and $1.3 million from a "use" tax.[33] Income taxes increase by 9.5%, or by $737,081, from $7.8 million to $8.5 million.

General Fund property tax revenue will remain flat at $28.7 million in FY2012. Fee revenues, derived from fees charged by the Recorder of Deeds, Circuit Court Clerk, the Sheriff, the County Clerk and the County Jail, as well as real estate transactions, are expected to increase by 2.2%, or $701,801. Other revenues, which include PPRT, fees charged by other offices, charges, interest earnings and other smaller miscellaneous income, increase by 4.5%, rising from $16.2 million to $17.0 million.

[33] DuPage County Proposed FY2012 Financial Plan, p. 82.

DuPage County General Fund Revenues: FY2011 & FY2012				
Revenue	FY2011 Current	FY2012 Proposed	$ Change	% Change
Sales Taxes	$ 79,427,375	$ 82,207,333	$ 2,779,958	3.5%
Property Tax	$ 28,731,196	$ 28,731,196	$ -	0.0%
Fee Offices/Elected Officials	$ 32,062,361	$ 32,764,162	$ 701,801	2.2%
Income Tax	$ 7,762,919	$ 8,500,000	$ 737,081	9.5%
Other	$ 16,225,473	$ 16,954,774	$ 729,301	4.5%
Total	**$ 164,209,324**	**$ 169,157,465**	**$ 4,948,141**	**3.0%**

Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas for FY2011 and FY2012.

Source: DuPage County Proposed FY2012 Financial Plan, p. 98.

Between FY2008 and FY2012, General Fund revenues will increase by 10.6% or $16.2 million. The largest source of the revenue increases are sales taxes. Over the five-year period, sales tax revenues are expected to increase by 37.6%, or $22.5 million. The 0.25 cent RTA supplemental sales tax was imposed halfway through FY2008 and is responsible for the increase. Since the significant drop in sales tax revenues in 2009 and the first half of 2010, receipts have slowly climbed upwards. DuPage County remains cautious with an outlook projection of sales tax growth at 3.5% for FY2012.[34]

During the five-year period, property tax revenues are projected to increase by 3.9%, or approximately $1.1 million, while income tax revenues have declined by 10.4%, or $982,558. Over the five-year period, fee revenues are expected to decrease by 8.9%, or $3.2 million.

DuPage County General Fund Revenues: FY2008 & FY2012				
Revenue	FY2008 Actual	FY2012 Proposed	$ Change	% Change
Sales Taxes	$ 59,747,428	$ 82,207,333	$ 22,459,905	37.6%
Property Tax	$ 27,639,705	$ 28,731,196	$ 1,091,491	3.9%
Fee Offices/Elected Officials	$ 35,968,270	$ 32,764,162	$ (3,204,108)	-8.9%
Income Tax	$ 9,482,558	$ 8,500,000	$ (982,558)	-10.4%
Intergovernmental Revenues	$ 1,014,721	$ -	$ (1,014,721)	-100.0%
Other	$ 19,128,920	$ 16,954,774	$ (2,174,146)	-11.4%
Total	**$ 152,981,602**	**$ 169,157,465**	**$ 16,175,863**	**10.6%**

Note: Excludes Grants, DuPage County Health Department, ESTB and Special Service Areas for FY2008 and FY2012.

Source: DuPage County FY2010 Financial Plan, p. 83; Proposed FY2012, p. 98.

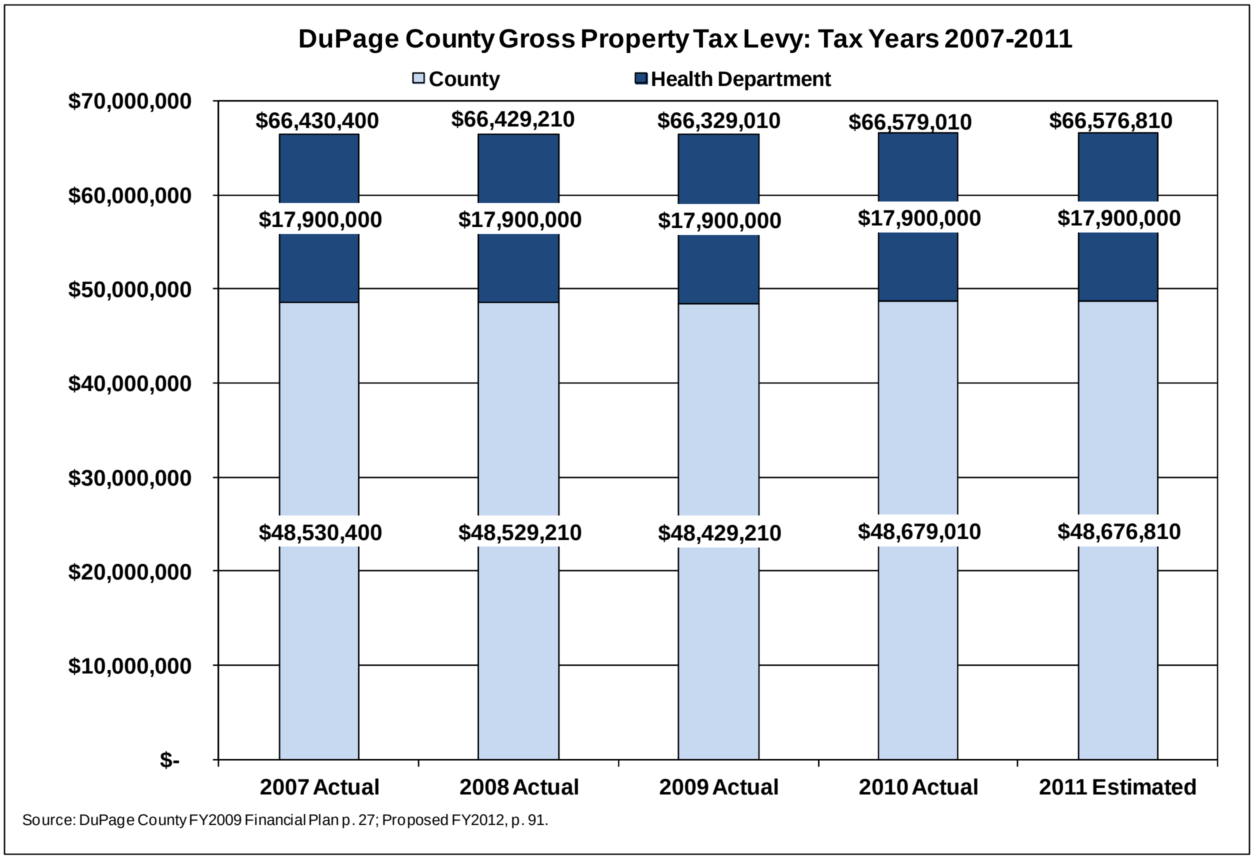
Property Tax Levy

The DuPage County property tax levy year differs from DuPage County's fiscal year, with the County's fiscal year running from December 1 to November 30 and the property tax levy year following the calendar year. Excluding the DuPage County Health Department, the tax year 2011 total property tax levy (collected in FY2012) for DuPage County government will remain relatively flat from 2010 levels at $66.6 million. Of the total tax levy, $17.9 million will be

[34] DuPage County Proposed FY2012 Financial Plan, p. 82.

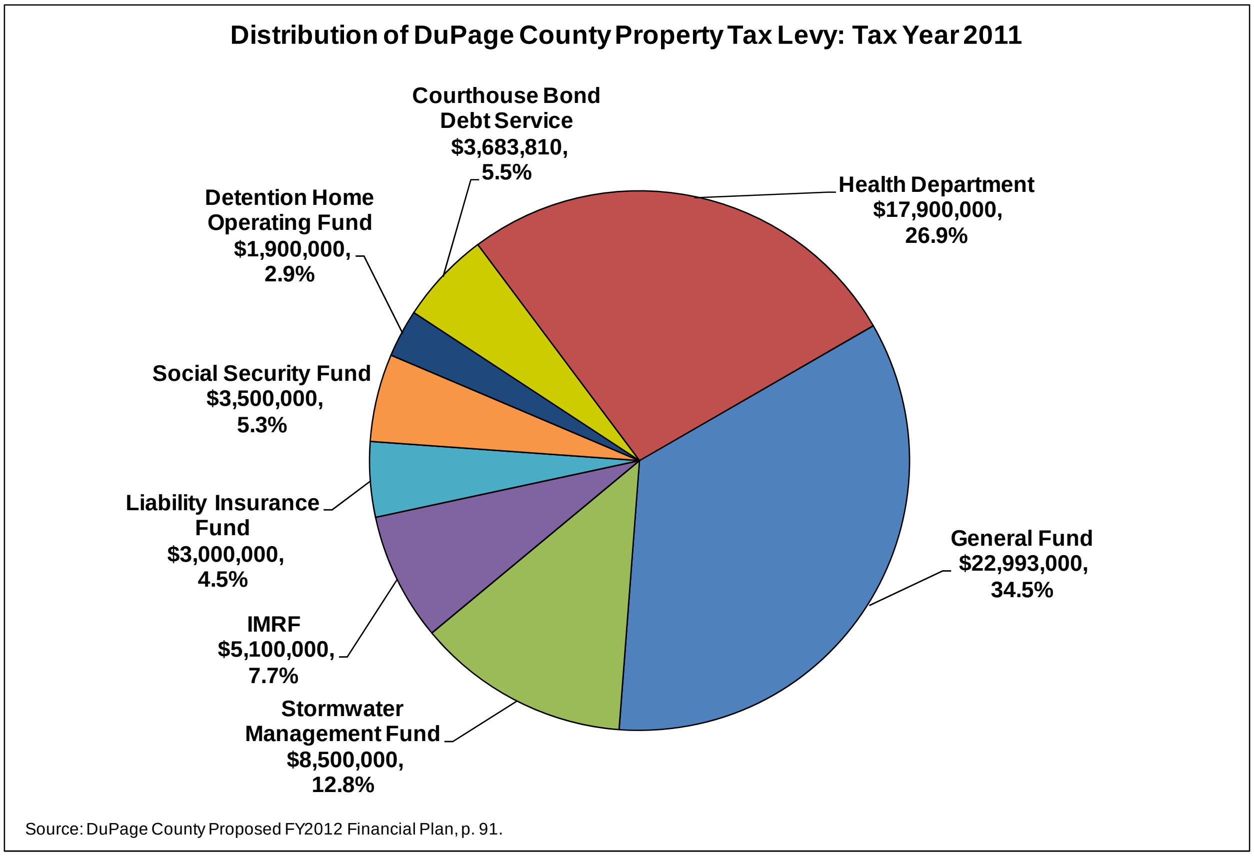
levied for the Health Department, and $48.7 million will be levied for the County. The proposed tax levies include $1.9 million for the County's juvenile detention center, despite the uncertainty of continuing day-to-day operations or moving those operations to Kane County's facility.[35] The slight decrease of $2,200 from the tax year 2010 to 2011 is due to a decrease in the Courthouse Bond Debt Service.

In tax year 2011, there will be no increase in the DuPage County Health Department levy. The Health Department levy has remained unchanged since 2007. The combined property tax levy totals $66,576,810, which is only $146,410, or 0.22%, above the 2007 level.

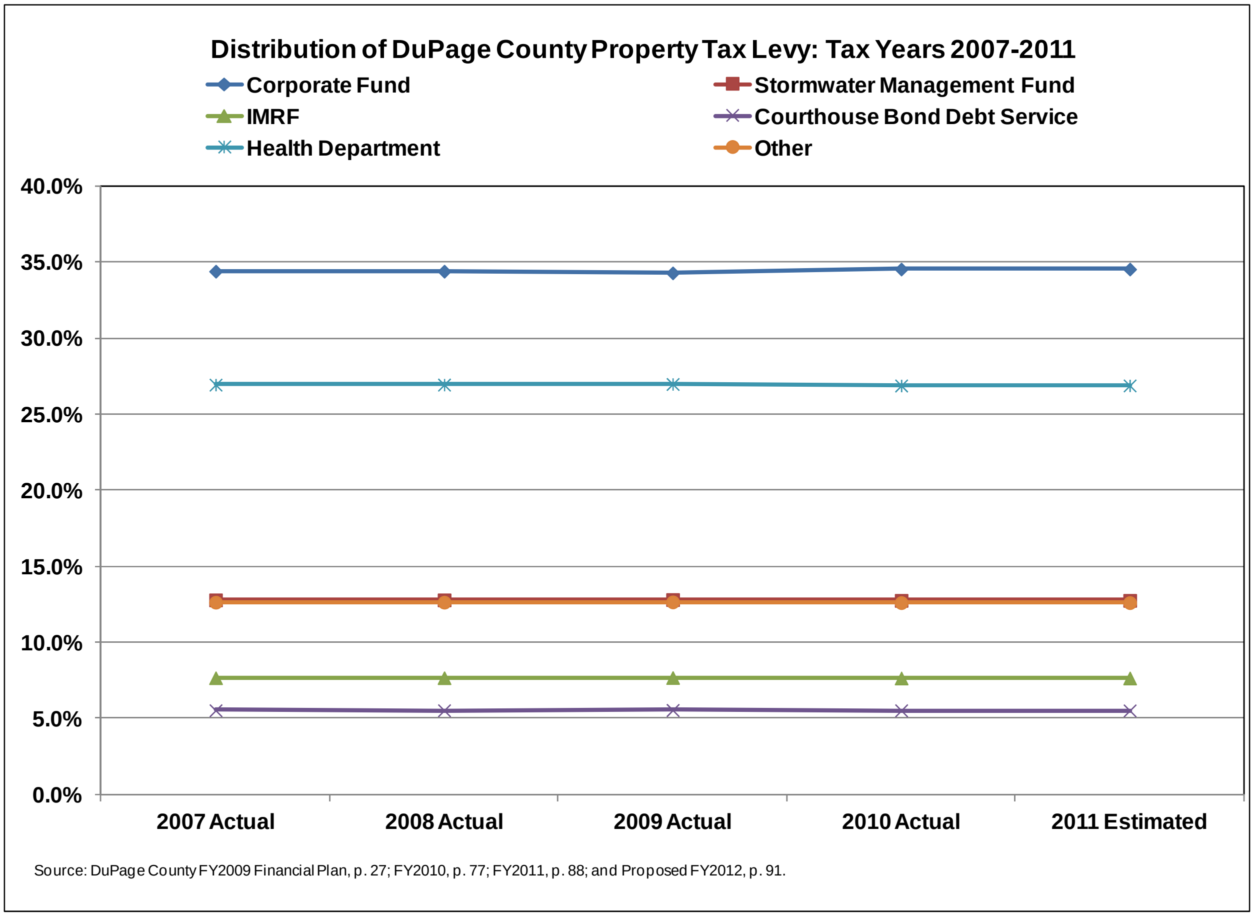


[35] DuPage County Proposed FY2012 Financial Plan, p. 83.

The General Fund will be the single largest recipient of property tax dollars in FY2012 (2011 levy), receiving an estimated $23.0 million, or 34.5%, of the total levy. The Health Department has the second largest share of the levy at $17.9 million, or 26.9%. The next largest share of the levy is the $8.5 million, or 12.8%, allocated to the Stormwater Management Fund.



The following chart illustrates the steady distribution of property taxes between tax years 2007 and 2011.



FUND BALANCE

Fund balance is commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[36] The *unreserved* fund balance refers to resources that do not have any external legal restrictions or constraints. This section analyzes the fund balance levels maintained by DuPage County.

DuPage Financial Policy

The GFOA recommends that each unit of government adopt a formal fund balance policy that considers the unit's own specific circumstances.[37] The DuPage County financial policies do not include a fund balance policy, but do include a goal to maintain a General Fund cash balance of between 20-25% of total expenditures plus transfers out.[38] DuPage County's available fund balance has met or exceeded its cash balance goal in each of the five years examined.

DuPage County Unreserved General Fund Balance Ratio to Expenditures & Transfers: FY2006-FY2010

	Unreserved Fund Balance	Operating Expenditures	Transfers Out	Expenditures Plus Transfers Out	Ratio
FY2006	$ 33,453,220	$ 121,419,244	$ 17,684,739	$ 139,103,983	24.0%
FY2007	$ 41,675,308	$ 126,351,923	$ 16,539,158	$ 142,891,081	29.2%
FY2008	$ 59,241,245	$ 125,873,312	$ 21,273,706	$ 147,147,018	40.3%
FY2009	$ 56,172,319	$ 142,434,125	$ 28,766,531	$ 171,200,656	32.8%
FY2010	$ 59,940,580	$ 135,299,743	$ 22,670,892	$ 157,970,635	37.9%

Source: DuPage County Comprehensive Annual Financial Reports, FY2005-FY2010.

Notes: FY2008 Unreserved General Fund Balance includes $7,500,000 designated for County capital improvement, repair or replacement, as approved by the County Board during the FY2009 budget adoption (FY2008 CAFR, p. 3). FY2009 and FY2010 Unreserved General Fund Balances include $4,000,000 designated for the strategic account. DuPage County maintains a Strategic Reserve account within the General Fund meant to be used only in the event of major emergency or economic distress (CAFRS, FY2009 and FY2010, p. 18).

Unreserved General Fund Balance Ratio

The GFOA recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."[39] Two months of operating expenditures is approximately 17%.

Between FY2006 and FY2008, the amount of unreserved fund balance in the DuPage County General Fund increased steadily, rising from 27.6% to 47.1%. In FY2009, the ratio declined to 39.4%, driven by increased expenditures. In FY2010, the ratio rose to 44.3%, and the amount in the unreserved fund balance jumped up to $59.9 million, similar to the dollar amount in the unreserved fund balance in FY2008.

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[36] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[37] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[38] DuPage County Proposed FY2012 Financial Plan, p. 25.
[39] Government Finance Officers Association, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

The unreserved fund balance has increased from $33.5 million in FY2006 to $59.9 million in FY2010. DuPage County has consistently maintained a ratio exceeding the minimum amount recommended by the GFOA.

DuPage County Unreserved General Fund Balance Ratio: FY2006-FY2010			
	Unreserved Fund Balance	Operating Expenditures	Ratio
FY2006	$ 33,453,220	$ 121,419,244	27.6%
FY2007	$ 41,675,308	$ 126,351,923	33.0%
FY2008	$ 59,241,245	$ 125,873,312	47.1%
FY2009	$ 56,172,319	$ 142,434,125	39.4%
FY2010	$ 59,940,580	$ 135,299,743	44.3%

Source: DuPage County Comprehensive Annual Financial Reports, FY2006-FY2010.

Notes: FY2008 Unreserved General Fund Balance includes $7,500,000 designated for County capital improvement, repair or replacement, as approved by the County Board during the FY2009 budget adoption (FY2008 CAFR, p. 3). FY2009 and FY2010 Unreserved General Fund Balances include $4,000,000 designated for the strategic account. DuPage County maintains a Strategic Reserve account within the General Fund meant to be used only in the event of major emergency or economic distress (CAFRS, FY2009 and FY2010, p. 18).

PERSONNEL

The personnel analysis refers to full-time headcount from the DuPage County FY2012 proposed budget because data for full-time equivalent positions was not included in the budget documents. Full-time headcount data includes only full-time salaried positions and does not include data for part-time employees. The FY2012 proposed budget also does not include data for grant-funded positions.

The following two-year and five-year headcount trends compare FY2012 proposed budget figures to FY2011 and FY2008 amended budget figures. The amended budget includes the County Board approved budget and any authorized budget transfers. FY2008 actual headcount was not available in the budget documents.

The total full-time headcount for DuPage County government is proposed to decline by two full-time positions, or 0.1%, in FY2012 below the FY2011 amended budget figures. The total number of full-time positions will fall from 2,270 in FY2011 to 2,268 in FY2012. However, the FY2011 amended budget reflects significant personnel changes from the summer of 2011, including the Finance Department's reduction of three full-time positions and the Economic Development and Planning Department's reduction of seven full-time positions.[40] With the 2011 personnel changes, the overall proposed FY2012 headcount declines by 12 positions from the FY2011 proposed budget.

[40] DuPage County Proposed FY2012 Financial Plan, p. 73.

Two-Year and Five-Year Headcount Trends

In the General Fund, the County Treasurer is eliminating one full-time position and converting another into two part-time positions. The Information Technology department is reducing their headcount by one full-time position. In Other Funds, Stormwater Management is gaining 14 full-time positions as a result of the merging of Stormwater Management and Stormwater Permitting. In addition, one full-time position has been added to the Coroner's Fee Fund.[41] The Coroner's Fee Fund was established in August 2010 to set up a special account for the Coroner's office to upgrade equipment while providing relief to the Coroner's General Fund budget.[42]

DuPage County Full-Time Personnel Headcount for All Funds: FY2011 & FY2012				
	FY2011 Amended	FY2012 Proposed	# Change	% Change
General Fund				
Sheriff	538	538	0	0.0%
Circuit Clerk	186	186	0	0.0%
Probation	168	168	0	0.0%
Facilities Management	92	92	0	0.0%
Public Defender	44	44	0	0.0%
Information Technology	40	39	-1	-2.5%
Finance	30	30	0	0.0%
Treasurer	22	20	-2	-9.1%
Recorder of Deeds	24	24	0	0.0%
Human Services	24	24	0	0.0%
Human Resources	15	15	0	0.0%
State's Attorney	149	149	0	0.0%
County Board	30	30	0	0.0%
All Other Offices and Departments	182	182	0	0.0%
Subtotal General Fund	**1,544**	**1,541**	**-3**	**-0.2%**
Other Funds				
Public Works	93	93	0	0.0%
Storm Water Management	15	29	14	93.3%
Transportation	109	109	0	0.0%
Neutral Site Custody Exchange	1	1	0	0.0%
Economic Development & Planning	32	32	0	0.0%
Youth Home	29	29	0	0.0%
Convalescent Center	374	374	0	0.0%
All Others	73	60	-13	-17.8%
Subtotal Other Funds	**726**	**727**	**1**	**0.1%**
Total	**2,270**	**2,268**	**-2**	**-0.1%**

Note: Headcount excludes grant-funded positions.

Source: DuPage County Proposed FY2012 Financial Plan, pp. 72-73.

A comparison of full-time headcount data from the amended FY2008 budget to the proposed FY2012 budget reveals that full-time positions will increase from 2,249 positions to 2,268 positions. This represents an increase of 0.8%, or 19 positions. Over the five-year period, the

[41] DuPage County Proposed FY2012 Financial Plan, p. 73.
[42] DuPage County Proposed FY2012 Financial Plan, p. 372.

State's Attorney, Sheriff and Public Works offices will increase full-time staffing by eight positions. The most significant decline in staffing occurs in the Youth Home. In February 2011, the Youth Home significantly reduced capacity from 80 beds to 28 beds.[43] Full-time positions were reduced from 46 in FY2010 to 38 in the FY2011 proposed budget by eliminating eight vacancy positions, and to 29 in the FY2011 amended budget.[44] The significant increase in staffing for Stormwater Management is due to the merging of Stormwater Management with Stormwater Permitting, which is included in the All Others category.

DuPage County Full-Time Personnel Headcount for All Funds: FY2008 & FY2012

	FY2008 Amended	FY2012 Proposed	# Change	% Change
General Fund				
Sheriff	530	538	8	1.5%
Circuit Clerk	189	186	-3	-1.6%
Probation	160	168	8	5.0%
Facilities Management	92	92	0	0.0%
Public Defender	45	44	-1	-2.2%
Information Technology	47	39	-8	-17.0%
Finance	35	30	-5	-14.3%
Treasurer	23	20	-3	-13.0%
Recorder of Deeds	25	24	-1	-4.0%
Human Services	23	24	1	4.3%
Human Resources	17	15	-2	-11.8%
State's Attorney	144	149	5	3.5%
County Board	25	30	5	20.0%
All Other Offices and Departments	166	182	16	9.6%
Subtotal General Fund	**1,521**	**1,541**	**20**	**1.3%**
Other Funds				
Public Works	85	93	8	9.4%
Storm Water Management	9	29	20	222.2%
Transportation	102	109	7	6.9%
Neutral Site Custody Exchange	1	1	0	0.0%
Economic Development & Planning	40	32	-8	0.0%
Youth Home	46	29	-17	0.0%
Convalescent Center	374	374	0	0.0%
All Others	71	60	-11	-15.5%
Subtotal Other Funds	**728**	**727**	**-1**	**-0.1%**
Total	**2,249**	**2,268**	**19**	**0.8%**

Note: Headcount excludes grant-funded positions.

Source: DuPage County FY2011 Financial Plan, p. 70; Proposed FY2012, pp. 72-73.

Personnel Appropriations

The following exhibit presents DuPage County's personnel expenditures by function from FY2008 to the FY2012 proposed appropriations. The exhibit also presents personnel expenditure as a percentage of total appropriations for all funds. Total proposed personnel appropriations will

[43] DuPage County Proposed FY2012 Financial Plan, p. 381.
[44] DuPage County Proposed FY2011 Financial Plan, pp. 71 and 73.

increase by $5.9 million to $193.5 million in FY2012 from the FY2011 current budget of $187.6 million. The increase includes a 2% compensation increase.[45] The FY2012 proposed personnel appropriations are 44.5% of the County's appropriations for all funds.

Personnel-related benefits such as Illinois Municipal Retirement Fund (IMRF), Social Security and Employee Health Insurance total approximately $44.0 million and are budgeted in the Agency Support departments.[46] Agency Support departments have experienced the most significant growth in personnel appropriations, with a $5.3 million increase from the FY2011 current estimate and a $17.8 million increase from the FY2008 actual expenditures. The trend primarily reflects increases in IMRF and Social Security costs and health insurance premium increases.[47] Over the five-year period, the ratio of personnel expenditures to total expenditures for all funds range from the current FY2011 estimate of 42.1% and 54.2% in FY2010.

DuPage County Full-Time Personnel All Funds Appropriations: FY2008-FY2012 (in $ thousands)

	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Current	FY2012 Proposed	2-Year Change	5-Year Change
Public Safety	$ 65,752.0	$ 72,029.3	$ 72,893.6	$ 71,925.2	$ 71,882.2	$ (43.0)	$ 6,130.2
Transportation and Economic Development	$ 10,871.1	$ 11,408.9	$ 11,257.0	$ 12,344.7	$ 11,935.5	$ (409.2)	$ 1,064.4
Environmental & Land Use	$ 9,503.3	$ 10,237.3	$ 10,900.1	$ 11,466.2	$ 11,557.3	$ 91.1	$ 2,054.0
Health & Human Services	$ 23,743.9	$ 25,606.6	$ 24,288.8	$ 26,556.3	$ 27,455.3	$ 899.0	$ 3,711.4
Education	$ 561.6	$ 635.3	$ 629.2	$ 666.1	$ 624.9	$ (41.2)	$ 63.3
General Government	$ 8,155.0	$ 8,115.3	$ 8,466.8	$ 8,971.6	$ 9,067.3	$ 95.7	$ 912.3
Agency Support	$ 43,185.4	$ 47,967.8	$ 52,653.0	$ 55,621.7	$ 60,947.9	$ 5,326.2	$ 17,762.5
Total Personnel	**$ 161,772.3**	**$ 176,000.5**	**$ 181,088.5**	**$ 187,551.8**	**$ 193,470.4**	**$ 5,918.6**	**$ 31,698.1**
Total Appropriations	**$ 324,402.1**	**$ 351,738.0**	**$ 334,145.1**	**$ 444,977.3**	**$ 434,725.1**	**$ (10,252.2)**	**$ 110,323.0**
Ratio	**49.9%**	**50.0%**	**54.2%**	**42.1%**	**44.5%**	**-**	**-**

Note: Excludes Grants, DuPage County Health Department, ETSB and Special Service Areas. Totals may differ due to rounding.
Source: DuPage County FY2011 Financial Plan, p. 55; Proposed FY2012, p. 59.

CAPITAL BUDGET

DuPage County does not develop a formal Capital Improvement Plan. It does, however, provide a list of capital projects that are funded by debt and by current receipts in the General and other funds. The lists include project descriptions and five years of information about prospective project costs for years FY2012 to FY2016. There are some summary charts providing information on four years of historical expenditure data for years FY2009 to FY2012.

The exhibit below shows the amount of DuPage County bond-funded projects for each year between FY2008 and FY2012. The spending totals are presented by bond fund:[48]

- *2011 Drainage Capital Projects Fund*: This fund was established to account for resources received and used to construct drainage projects.
- *Stormwater Project 2001 Bonds*: This fund accounts for resources used to construct stormwater projects.

[45] DuPage County Proposed FY2012 Financial Plan, p. 43.
[46] DuPage County Proposed FY2012 Financial Plan, p. 60.
[47] Information provided by DuPage County Chief Financial Officer, October 6, 2011.
[48] DuPage Proposed FY2012 Financial Plan, p. 18.

- *2008 Water & Sewer Bond Project Fund*: This fund is used for water and sewer construction projects.
- *G.O. Alternate Series 2010 Bond Project Fund*: This fund accounts for resources used for transportation, campus infrastructure and information technology improvements.
- *2001 Drainage Construction*: This fund was established to account for bonds issued in 2001 for the construction of drainage projects.
- *2001 Courthouse Construction*: This fund is being used for costs associated with the construction of a DuPage County courthouse annex.

The funding amounts for bond-funded projects rose in FY2011 from $3.4 million to nearly $29.8 million primarily because of a $66.3 million alternate revenue source bond issue in October 2010. These are general obligation bonds that will be paid for with a pledge of sales tax revenues and other funds.[49]

DuPage County Bond-Financed Capital Projects: FY2008-FY2012

Bond Project Fund	FY2008 Expenditures	FY2009 Expenditures	FY2010 Expenditures	FY2011 Budgeted	FY2012 Recommended
2011 Drainage Capital Projects Fund	$ -	$ -	$ -	$ 55,000	$ 370,000
Stormwater Project 2001 Bonds Fund	$ 4,117,741	$ 1,744,881	$ 514,138	$ 726,723	$ 213,123
2008 Water & Sewer Bond Project Fund	$ 1,664,941	$ 5,311,545	$ 2,115,262	$ 6,756,213	$ 2,600,000
G.O Alternate Series 2010 Bond Project Fund	$ -	$ -	$ 11,969	$ 21,000,000	$ 35,000,000
2001 Drainage Construction Fund	$ 707,609	$ 671,645	$ 786,467	$ 1,001,846	$ 412,000
2001 Courthouse Construction Fund	$ -	$ -	$ 18,111	$ 237,322	$ 60,569
Total	**$ 6,490,291**	**$ 7,728,071**	**$ 3,445,947**	**$ 29,777,104**	**$ 38,655,692**

Sources: DuPage County FY2011 Financial Plan, pp. 451-494; Proposed FY2012, pp. 461-498.

[49] DuPage Proposed FY2012 Financial Plan, p. 461.

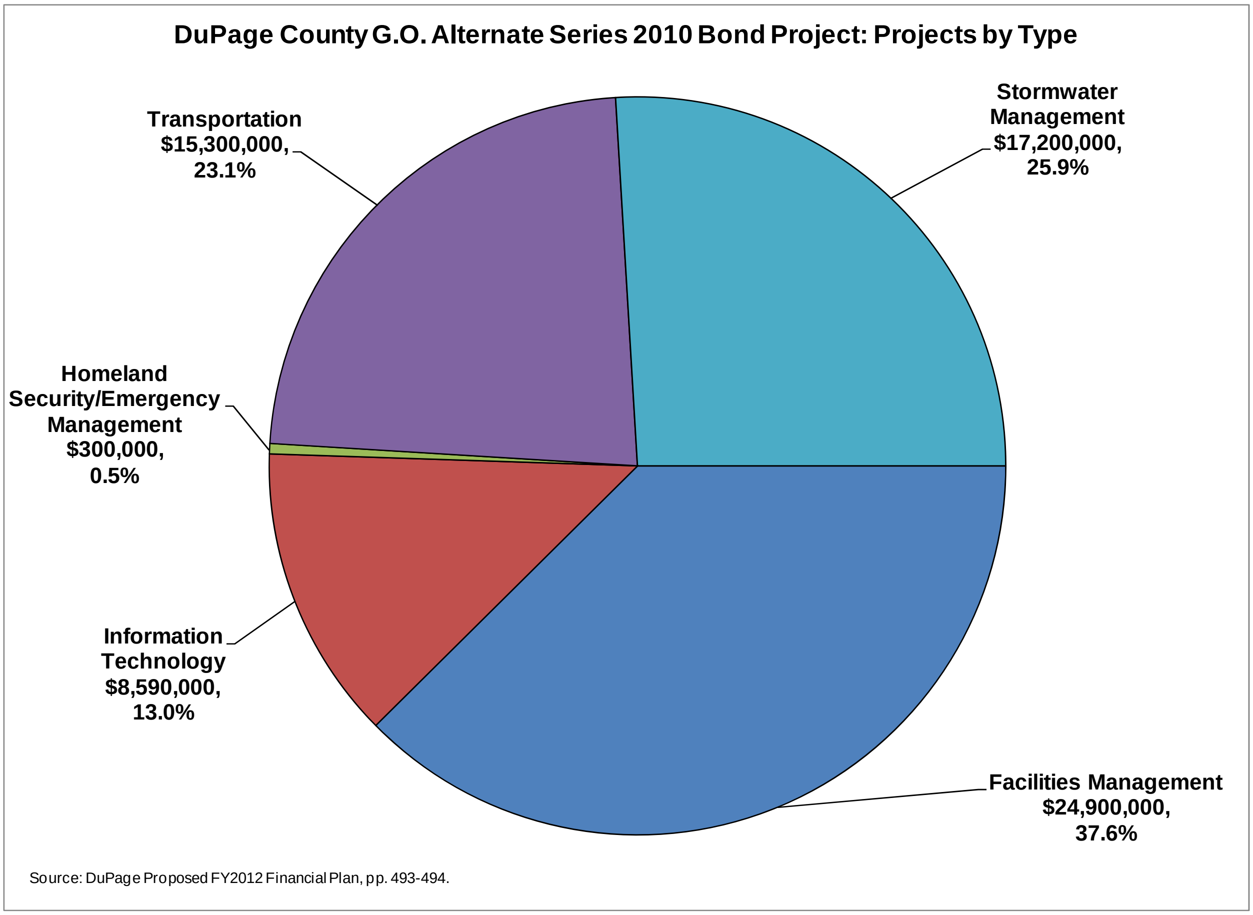
A list of the various projects to be funded by the G.O. Alternate Series 2010 Bond Project and the estimated amounts of spending per project between FY2011 and FY2016 are shown below. Approximately $32.4 million, or nearly half of the bond funds, is expected to be spent in FY2012, while $19.5 million is expected to be spent in FY2013.

DuPage County G.O. Alternate Series 2010 Revenue Bond Projects
FY2011-FY2016

Projects	FY2011 Estimated Exp	FY2012 Estimated Exp	FY2013 Estimated Esp	FY2014 Estimated Exp	FY2015 Estimated Exp	FY2016 Estimated Exp	Project Total Estimated
Facilities Management							
Convalescent Center Kitchen	$ 118,138	$ 1,000,000	$ 4,431,862	$ 450,000	$ -	$ -	$ 6,000,000
Campus Standby Generators	$ 3,206,957	$ 7,000,000	$ 1,493,043	$ -	$ -	$ -	$ 11,700,000
Courthouse HVAC Updates	$ 290,208	$ 2,200,000	$ 2,309,792	$ -	$ -	$ -	$ 4,800,000
Jail A Building Fire Alarm Upgrade	$ 118,600	$ 781,400	$ -	$ -	$ -	$ -	$ 900,000
Administration Building Fire Alarm Upgrade	$ 51,400	$ 1,448,600	$ -	$ -	$ -	$ -	$ 1,500,000
Subtotal Facilities Management	**$ 3,785,303**	**$ 12,430,000**	**$ 8,234,697**	**$ 450,000**	**$ -**	**$ -**	**$ 24,900,000**
Information Technology							$ -
Information Systems Technology Upgrade	$ 250,000	$ 4,600,000	$ 970,000	$ 1,270,000	$ -	$ -	$ 7,090,000
IT Infrastructure Upgrade	$ 230,749	$ 1,269,251	$ -	$ -	$ -	$ -	$ 1,500,000
Subtotal Information Technology	**$ 480,749**	**$ 5,869,251**	**$ 970,000**	**$ 1,270,000**	**$ -**	**$ -**	**$ 8,590,000**
Homeland Security & Emergency Management							$ -
Campus Emergency Warning System	$ -	$ 300,000		$ -	$ -	$ -	$ 300,000
Subtotal Homeland Security & Emergency Management	**$ -**	**$ 300,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 300,000**
Transportation							$ -
55th Street	$ 1,200,000	$ -	$ -	$ -	$ -	$ -	$ 1,200,000
75th Street	$ -	$ 5,000,000	$ -	$ -	$ -	$ -	$ 5,000,000
Belmont at Curtiss	$ 270,000	$ 2,730,000	$ -	$ -	$ -	$ -	$ 3,000,000
Gary Avenue	$ -	$ -	$ 4,150,000	$ 1,250,000	$ -	$ -	$ 5,400,000
Central DuPage Bikeway	$ 83,600	$ 150,000	$ 66,400	$ -	$ -	$ -	$ 300,000
East Branch DuPage River Greenway	$ 50,000	$ 50,000	$ 300,000	$ -	$ -	$ -	$ 400,000
Subtotal Transportation	**$ 1,603,600**	**$ 7,930,000**	**$ 4,516,400**	**$ 1,250,000**	**$ -**	**$ -**	**$ 15,300,000**
Stormwater Management							$ -
Brewster Creek Watershed	$ 775,000	$ 4,225,000	$ -	$ -	$ -	$ -	$ 5,000,000
Churchill Woods Dam Modification	$ 650,000	$ 100,000	$ 50,000	$ 50,000	$ 20,000	$ 20,000	$ 890,000
Klein Creek/West Branch Flood Mitigation Project	$ 200,000	$ 585,000	$ 3,290,000	$ 925,000	$ -	$ -	$ 5,000,000
Warrenville/Winfield Flood Mitigation	$ 650,000	$ 1,000,000	$ 2,480,000	$ 1,705,000	$ 475,000	$ -	$ 6,310,000
Subtotal Stormwater Management	**$ 2,275,000**	**$ 5,910,000**	**$ 5,820,000**	**$ 2,680,000**	**$ 495,000**	**$ 20,000**	**$ 17,200,000**
							$ -
Grand Total	**$ 8,144,652**	**$ 32,439,251**	**$ 19,541,097**	**$ 5,650,000**	**$ 495,000**	**$ 20,000**	**$ 66,290,000**

Source: DuPage County Proposed FY2012 Financial Plan, pp. 493-494.

Roughly $57.4 million, or 86.6%, of the G.O. bond funds will be used for facilities management, stormwater management and transportation projects.



PENSION FUNDING

DuPage County employees are enrolled in the Illinois Municipal Retirement Fund (IMRF), a multi-employer defined benefit pension plan. The IMRF plan provides retirement, disability, annual cost of living adjustments and death benefits to DuPage County employees. The IMRF acts as a common pension investment and administrative agent for local governments and school districts in Illinois, with the exception of the City of Chicago and Cook County. In FY2010, there were 3,116 active DuPage County members in the IMRF.[50]

Four different groups of DuPage County employees are covered in the IMRF: Regular County Employees, Elected County Officials, Sheriff's Law Enforcement Personnel and Veterans' Assistance Commission. For 2010 and 2011, the IMRF allowed members the option to pay less than the annual required contribution (ARC) as a response to 2008 investment losses.[51] DuPage

[50] Illinois Municipal Retirement Fund FY2010 Comprehensive Annual Financial Report, p. 79.
[51] DuPage County FY2010 Comprehensive Annual Financial Report, p. 76; IMRF General Memorandum 612, Executive Summary.

County elected this option for both years.[52] The exhibit below shows the ARC for employers and employees for the four different groups.

Pension Contribution Rates for DuPage County Employees: FY2010		
	Employee Contribution	Employer Contribution
Regular County Employees	4.5% of covered salary	10.87% of covered payroll
Elected County Officials	7.5% of covered salary	38.22% of covered payroll
Sheriff's Law Enforcement Personnel	7.5% of covered salary	22.76% of covered payroll
Veteran's Assistance Commission	4.5% of covered salary	10.68% of covered payroll

Source: DuPage County FY2010 Comprehensive Annual Financial Report, p. 76.

In accordance with the County's election to contribute less than the ARC in FY2010, DuPage County contributed to the Regular County Employees and the Sheriff's Law Enforcement Personnel groups at 87% and 94% of the ARC, respectively. The net pension obligation for those funds reflects the use of a reduced phase-in rate permitted by IMRF.[53]

DuPage County Employer FY2010 Pension Contribution: Annual Pension Cost v. Actual Contribution			
	FY2010 Annual Pension Cost	FY2010 Net Pension Obligation	FY2010 Actual Percent Contribution
Regular County Employees	$ 13,486,034	$ 1,796,035	87%
Elected County Officials	$ 729,426	$ -	100%
Sheriff's Law Enforcement Personnel	$ 7,887,006	$ 478,494	94%
Veteran's Assistance Commission	$ 14,068	$ -	100%

Source: DuPage County FY2010 Comprehensive Annual Financial Report, pp. 76-77 and 82-83.

The following chart displays employer pension contributions for FY2005 through FY2010.

DuPage County Employer Pension Contribution: FY2005-FY2010						
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Regular County Employees	$ 11,460,857	$ 12,564,854	$ 11,105,322	$ 10,774,979	$ 11,331,713	$ 12,049,999
Elected County Officials	$ 819,723	$ 1,033,626	$ 839,273	$ 819,133	$ 783,544	$ 729,426
Sheriff's Law Enforcement Personnel	$ 5,074,896	$ 5,580,138	$ 7,887,006	$ 5,877,633	$ 6,636,712	$ 7,408,512
Veteran's Assistance Commission	$ 1,003	$ 1,068	$ 4,622	$ 2,375	$ 13,731	$ 14,068

Source: DuPage County FY2010 Comprehensive Annual Financial Report, pp. 76-77 and 82-83.

Funded Ratios– Actuarial Value of Assets

The Civic Federation uses two measures to present a multi-year evaluation of the fiscal health of the DuPage County portion of the IMRF: funded ratios and the value of unfunded liabilities.

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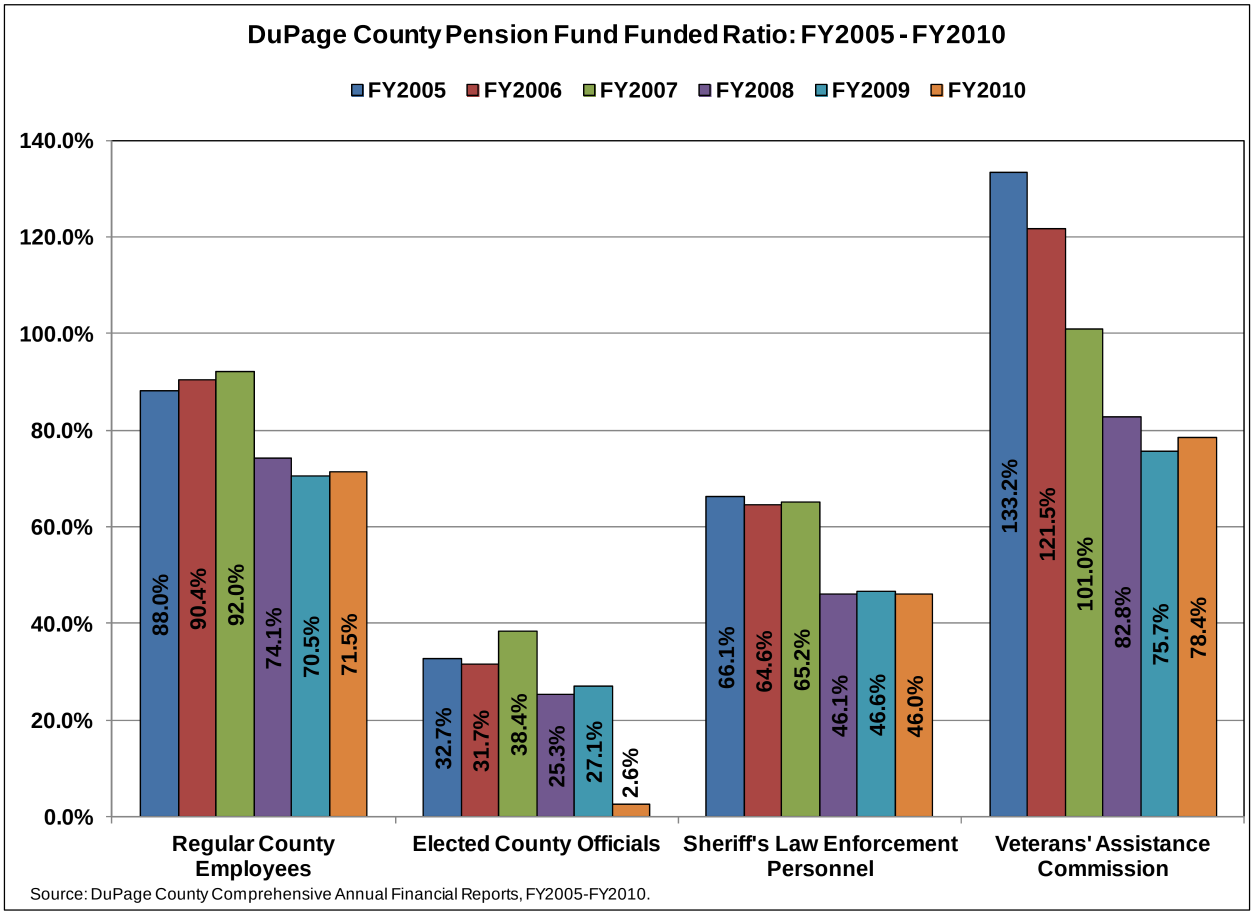
[52] DuPage County FY2010 Comprehensive Annual Financial Report, p. 77.
[53] The County also chose the phase-in rate approach for 2011 but not for 2012. Information provided by DuPage County Chief Financial Officer, October 17, 2011.

The following exhibit shows funded ratios for each of the four employee groups. The funded ratio shows the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

The funded ratios of two of the four DuPage County employee pension groups, the Regular Employees and Veteran's Assistance Commission, rose in FY2010. The funded ratio for the Elected County Officials fell significantly by 24.4 percentage points, while the Sheriff's Law Enforcement Personnel group funded ratio declined slightly. The following statements provide a breakdown of the results for each group:

- The Regular Employees group, which is the largest of the three, experienced a 1.0 percentage point increase, rising from a funded ratio of 70.5% to 71.5%;
- The Elected County Officials group funded ratio fell from 27.1% in FY2009 to 2.6% in FY2010 due to the retirement of several long-serving elected officials;[54]
- The Sheriff's Law Enforcement Personnel group funded ratio declined slightly by 0.6 percentage points to 46.0%; and
- The Veterans' Assistance Commission group funded ratio rose from 75.7% to 78.4%, or by 2.8 percentage points.



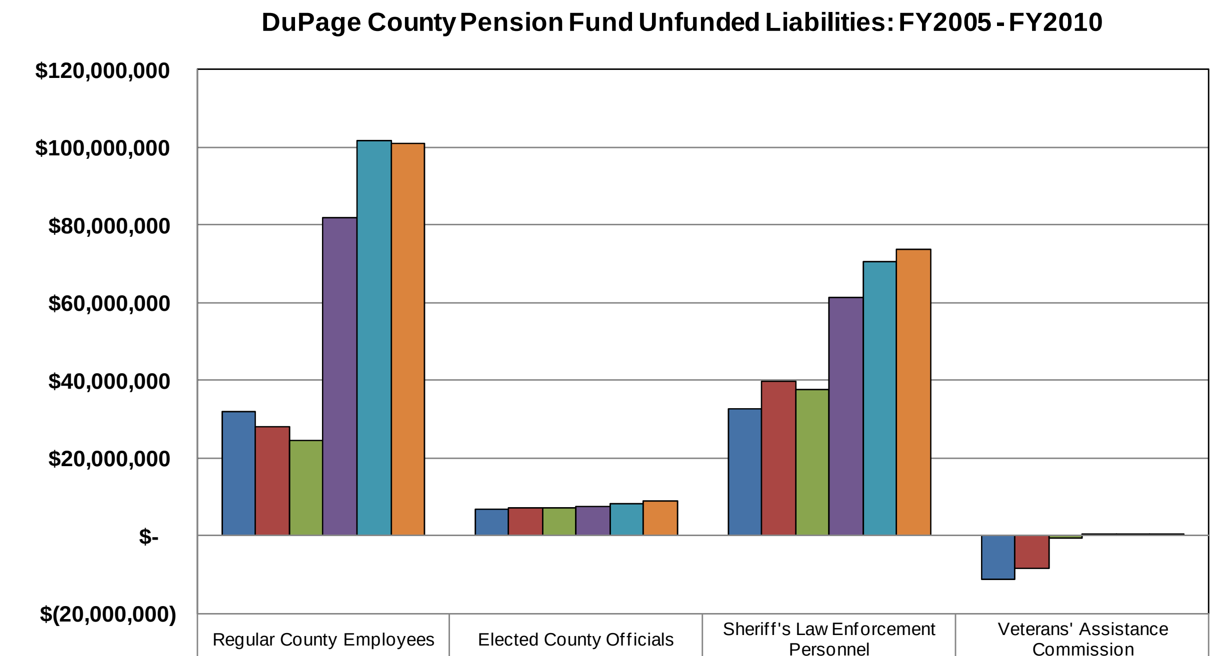
Source: DuPage County Comprehensive Annual Financial Reports, FY2005-FY2010.

[54] Information provided by DuPage County Chief Financial Officer, October 17, 2011.

Unfunded Pension Liabilities

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities have risen for three of the DuPage County employee groups. The unfunded liabilities for the Regular County Employees group decreased by 0.8%, or by $859,435. The Veteran's Assistance Commission group, which had previously maintained a surplus (i.e., it was overfunded), has reported an unfunded liability since FY2008, with a growth of 8.1% from FY2009 to FY2010. This increase in unfunded liabilities is attributed to investment losses in 2008.

Despite its slight decrease in FY2010, the unfunded liabilities of the Regular County Employees group rose dramatically from $24.6 million to $101.8 million between FY2007 and FY2009, also due primarily to the significant investment losses in 2008. Unfunded liabilities for the Elected Officials group increased from $8.2 million to $9.0 million between FY2009 and FY2010. The Sheriff's Law Enforcement group reported an increase in unfunded liabilities of 10.4%, or $849,334.



	Regular County Employees	Elected County Officials	Sheriff's Law Enforcement Personnel	Veterans' Assistance Commission
FY2005	$32,085,564	$6,837,981	$32,566,653	$(11,224,000)
FY2006	$28,027,428	$7,125,260	$39,697,499	$(8,532,000)
FY2007	$24,576,179	$7,280,931	$37,658,640	$(560,000)
FY2008	$81,761,062	$7,717,330	$61,457,931	$13,067
FY2009	$101,787,439	$8,160,694	$70,489,906	$26,284
FY2010	$100,928,004	$9,010,028	$73,780,430	$28,409

Source: DuPage County Comprehensive Annual Financial Reports, FY2005-FY2010.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits, DuPage County also provides limited healthcare insurance for certain eligible retired employees. Non-pension benefits provided to employees after employment ends are referred to as Other Post Employment Benefits, or OPEB. OPEB includes health insurance coverage for retirees and their families, dental insurance, life insurance and long-term care coverage. These benefits are provided through DuPage County's Employee Life/Health Insurance Fund. The benefits do not include termination benefits such as accrued sick leave and vacation.

The County sets the benefits provided, benefit levels and employer and employee contributions. These provisions may be amended by the County through its personnel manual and union contracts. As of December 31, 2010, membership in the plan consisted of the following four groups illustrated below.

DuPage County Other Post Employment Benefits Membership: as of December 31, 2010	
Beneficiaries receiving benefits	172
Terminated plan members not yet receiving benefits	0
Active vested plan members	1,607
Active non-vested plan members	1,540
Total Members	**3,319**

Source: DuPage County FY2010 Comprehensive Annual Financial Report, p. 78.

The County funds its OPEB plan on a pay-as-you-go basis. As of FY2010, the actuarial accrued liability for the plan was $7.1 million. The unfunded actuarial accrued liability also totaled $7.1 million, meaning that the OPEB plan is 0.0% funded.

Funded Status of DuPage County's OPEB Plan: FY2010	
Actuarial Accrued Liability	$ 7,140,094
Unfunded Actuarial Accrued Liability (UAAL)	$ 7,140,094
Covered Payroll	$ 161,716,207
UAAL as a % of Covered Payroll	4.4%

Source: DuPage County FY2010 Comprehensive Annual Financial Report, p. 79

The normal cost attributable to FY2010 was $273,330, and the amortization of the $7.1 million unfunded actuarial liability was $235,705. When including the $30,869 for interest on the unfunded liability and on the net OPEB obligation, the total Annual Required Contribution (ARC) for OPEB was $536,671.

Total contributions of $511,200 were $25,471, or about 5.0%, less than the ARC, thus adding to the net OPEB obligation which totaled $109,746 at the end of FY2010.

DuPage County Other Post Employment Benefits: Cost and Net Obligations for FY2010		
Normal Service Cost	$	273,330
Amortization of Unfunded Actuarial Liability	$	235,705
Interest Cost	$	30,869
ARC Adjustments	$	(3,233)
Total Annual Required Contribution	**$**	**536,671**
Retiree and Other Contributions	$	511,200
Increase in Net OPEB Obligation	$	25,471
Net OPEB Obligation, Beginning of Year	$	84,725
Net OPEB Obligation, End of Year	$	110,196
% of Annual OPEB Cost Contributed		91.2%

Source: DuPage County FY2010 Comprehensive Annual Financial Report, pp. 78-79.

SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. DuPage County currently reports no short-term debt, but does include the following short-term liabilities in the statement of net assets in its annual Comprehensive Annual Financial Report:[55]

- *Accounts payable*: monies owed to vendors for goods and services;
- *Accruals*: accrued payroll and benefits, including employee pay, retention and compensated absences carried over from the previous year;
- *Funds due to other governments*: amounts that must be paid to other government entities through intergovernmental transfers and other agreements;
- *Other payables*: estimated liabilities for health care, workers' compensation and tort liability claims that are expected to be paid out within one year and retainage for construction-type contracts that are pending satisfactory completion of deliverables; and
- *Other liabilities*: these can include self insurance funds, unclaimed property and other unspecified liabilities.

In FY2010, short-term liabilities in the Governmental Funds totaled $32.0 million, a decrease of approximately $1.8 million, or 5.4%, from the previous year. This is the third year in a row that total short-term liabilities reported by the County have decreased. Since FY2006, short-term liabilities have decreased by $10.4 million, or 24.6%. The largest portion of DuPage County's short-term liabilities is accounts payable, which decreased from $18.6 million in FY2006 to

[55] DuPage County FY2010 Comprehensive Annual Financial Report, p. 15.

$16.2 million in FY2010. This represents a $2.4 million, or 13.1%, decline during the five-year period. The largest five-year decline occurred in the accruals category. This is due largely to the decline in personnel-related accrued liabilities. The following chart shows short-term liabilities by category and the percent change over the past five years.

DuPage County Short-Term Liabilities in the Governmental Funds: FY2006-FY2010 (in $ thousands)

	FY2006	FY2007	FY2008	FY2009	FY2010	5-year Change	5-year % Change
Accounts Payable	$ 18,588	$ 25,098	$ 19,493	$ 16,180	$ 16,156	$ (2,432)	-13.1%
Accruals	$ 16,967	$ 15,005	$ 11,941	$ 12,460	$ 12,461	$ (4,506)	-26.6%
Funds Due to Other Gov't	$ 2,660	$ 2,219	$ 4,294	$ 2,785	$ 1,100	$ (1,560)	-58.6%
Other Payables	$ 2,013	$ 3,169	$ 856	$ 735	$ 675	$ (1,338)	-66.5%
Other Liabilities	$ 2,161	$ 2,168	$ 2,010	$ 1,638	$ 1,590	$ (572)	-26.4%
Total	**$ 42,389**	**$ 47,659**	**$ 38,595**	**$ 33,798**	**$ 31,982**	**$ (10,408)**	**-24.6%**

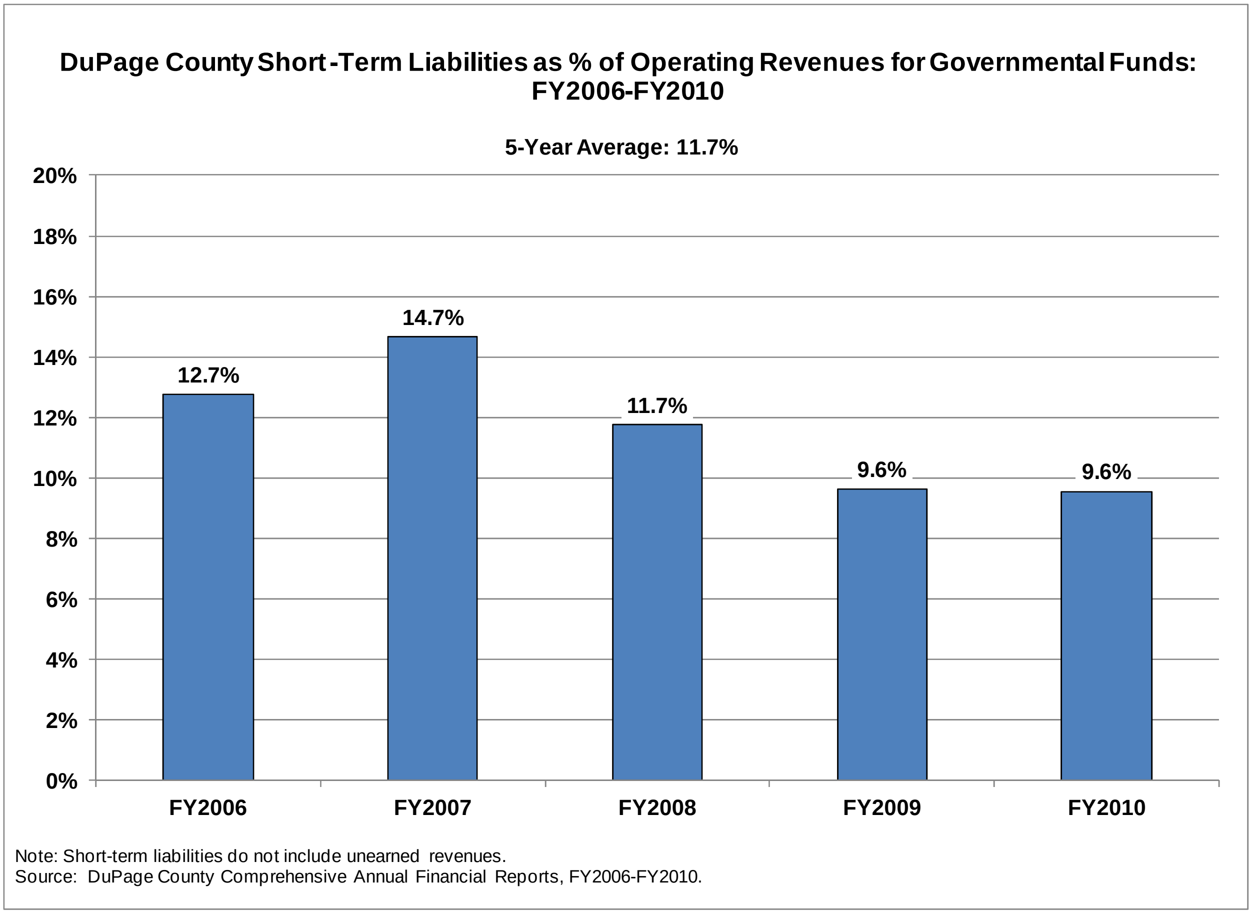
Notes: Unearned Revenue is excluded. Accruals include accrued payroll, employee retention, compensated absences and interest payable. Other Payables include claims payable and retainage payable.

Source: DuPage County Comprehensive Annual Financial Reports, FY2006-FY2010.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of net operating revenues may be a warning sign of possible future financial difficulties.[56] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending. DuPage County showed a positive trend by reducing its short-term liabilities compared to total operating revenue between FY2007 to FY2010 from 14.7% to 9.6%, which is below the five-year average of 11.7%. The following graph shows total short-term liabilities, excluding unearned revenues, as a percentage of net operating revenues between FY2006 and FY2010.[57]

[56] Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), p. 77 and p. 169.

[57] Short-term liability trends do not include unearned revenue because they are resources received before a good or service has been provided. Unearned revenue for local governments often refers to property tax revenues levied but not spent. Therefore, indicators are related to the timing of property tax collections and not to fiscal stress.



Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[58]

In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of a municipality, including:

- *Cash and cash equivalents*: assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *Investments*: any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables*: monetary obligations owed to the government including property taxes and interest on loans;
- *Due from other governments*: monies owed from Federal, State and other governmental units;

[58] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations.* (Upper Saddle River, NJ, 2001), p. 476.

- *Internal balance*: monies due from (positive) or due to (negative) the government; and
- *Other assets*: other non-cash assets due within one year.

DuPage County's current ratio was 3.1 for FY2010, the most recent year for which data is available. In the past five years, the County maintained a current ratio within the range of 2.7 and 3.4, showing a healthy level of liquidity. From FY2009 to FY2010, the current ratio decreased from 3.4 to 3.1, due in part to a significant decrease in cash and cash equivalents of $35.9 million and a decrease of $14.1 million in monies owed from other governments. From FY2006 to FY2010, DuPage County's cash and cash equivalents decreased by $47.6 million. During the same time period, funds due from Federal, State and other governmental units increased by $20.1 million. Generally, current liabilities have declined in both the two-year and five-year periods. From its peak in FY2007 to FY2010, accounts payable has declined by $8.9 million.

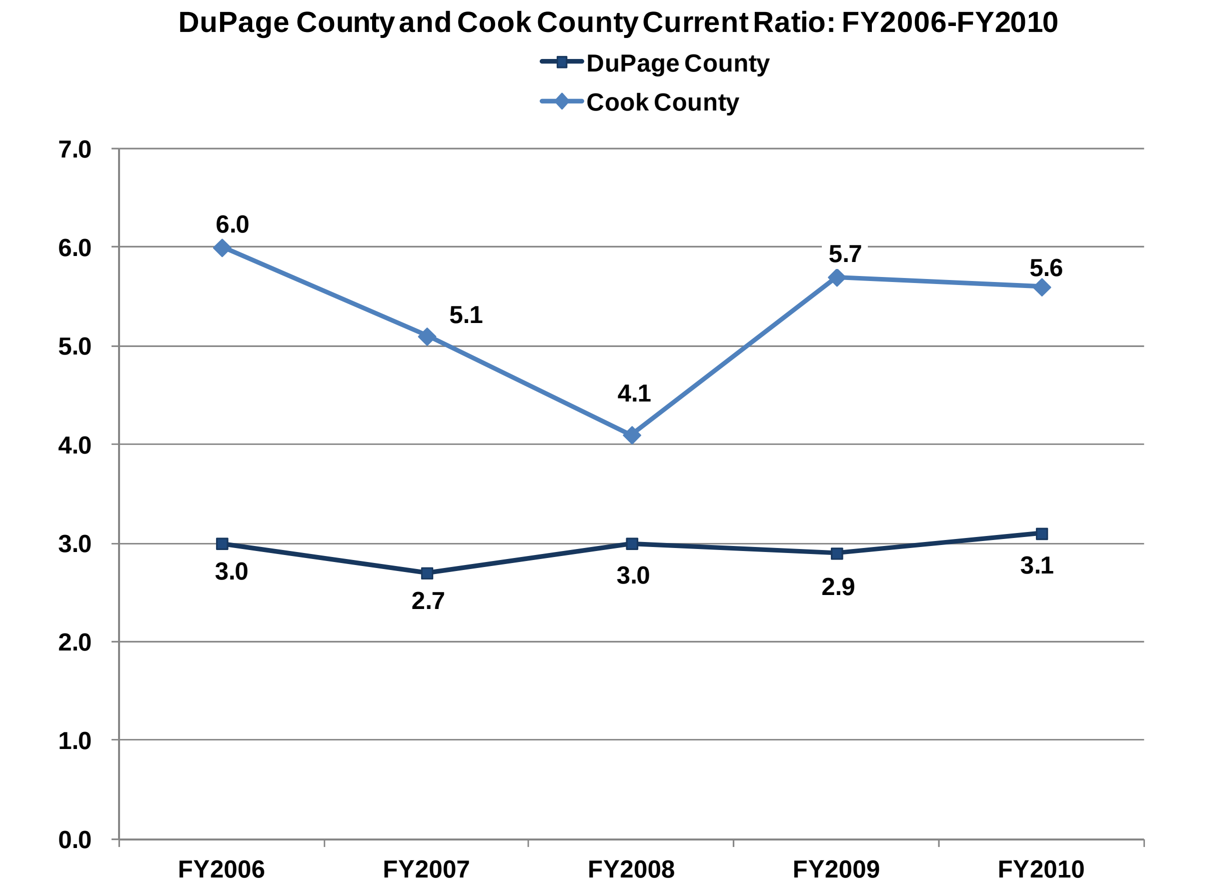
DuPage County Current Ratio of the Governmental Funds: FY2006-FY2010
(in $ thousands)

	FY2006	FY2007	FY2008	FY2009*	FY2010	2-year Change	5-year Change
Current Assets							
Cash and Equivalents	$ 199,602	$ 187,860	$ 174,711	$ 187,936	$ 152,001	$ (35,936)	$(47,601.1)
Investments	$ 18,700	$ 16,830	$ 16,439	$ 16,455	$ 21,734	$ 5,279	$ 3,033.8
Receivables	$ 67,277	$ 70,166	$ 77,051	$ 71,535	$ 71,706	$ 171	$ 4,428.7
Due From Other Governmental Units	$ 31,867	$ 32,396	$ 47,553	$ 66,108	$ 51,960	$ (14,148)	$ 20,093.6
Internal Balance	$ (350)	$ 315	$ 1,360	$ 1,067	$ 2,834	$ 1,767	$ 3,183.4
Other Assets	$ 668	$ 627	$ 772	$ 557	$ 472	$ (86)	$ (196.3)
Total Current Assets	**$ 317,764**	**$ 308,193**	**$ 317,885**	**$ 343,659**	**$ 300,706**	**$ (42,953)**	**$ (17,058)**
Current Liabilities							
Accruals	$ 16,968	$ 15,005	$ 11,941	$ 12,460	$ 12,461	$ 1	$ (4,507.0)
Accounts Payable	$ 18,588	$ 25,098	$ 19,493	$ 16,181	$ 16,157	$ (24)	$ (2,430.6)
Claims Payable	$ 830	$ 835	$ -	$ -	$ -	-	-
Due To Other Governmental Units	$ 2,660	$ 2,219	$ 4,294	$ 2,785	$ 1,101	$ (1,684)	$ (1,559.6)
Unearned Revenue	$ 65,228	$ 67,387	$ 66,964	$ 66,329	$ 66,191	$ (138)	$ 962.8
Other Liabilities	$ 3,345	$ 4,502	$ 2,866	$ 2,373	$ 2,265	$ (108)	$ (1,079.9)
Total Current Liabilities	**$ 107,619**	**$ 115,046**	**$ 105,559**	**$ 100,128**	**$ 98,175**	**$ (1,953)**	**$ (8,614)**
Current Ratio	**3.0**	**2.7**	**3.0**	**3.4**	**3.1**	**-**	**-**

*Current assets and liabilities are from the FY2009 CAFR, though Net Assets were restated in the FY2010 CAFR to recognize monies incorrectly recorded as Governmental Activities.

Source: DuPage County Comprehensive Annual Financial Reports, Statements of Net Assets, FY2006-FY2010.

The current ratio is a useful tool to assess a government's liquidity, particularly when compared to other neighboring municipalities. The following exhibit shows DuPage County's current ratio compared to Cook County. Although Cook County has a higher current ratio than DuPage County, DuPage County has remained relatively stable over the past five years. Cook County's liquidity dropped significantly from FY2006 to FY2008 due to a decline of over $313.7 million in cash and investments paired with a nearly $136.0 million increase in payables.[59]



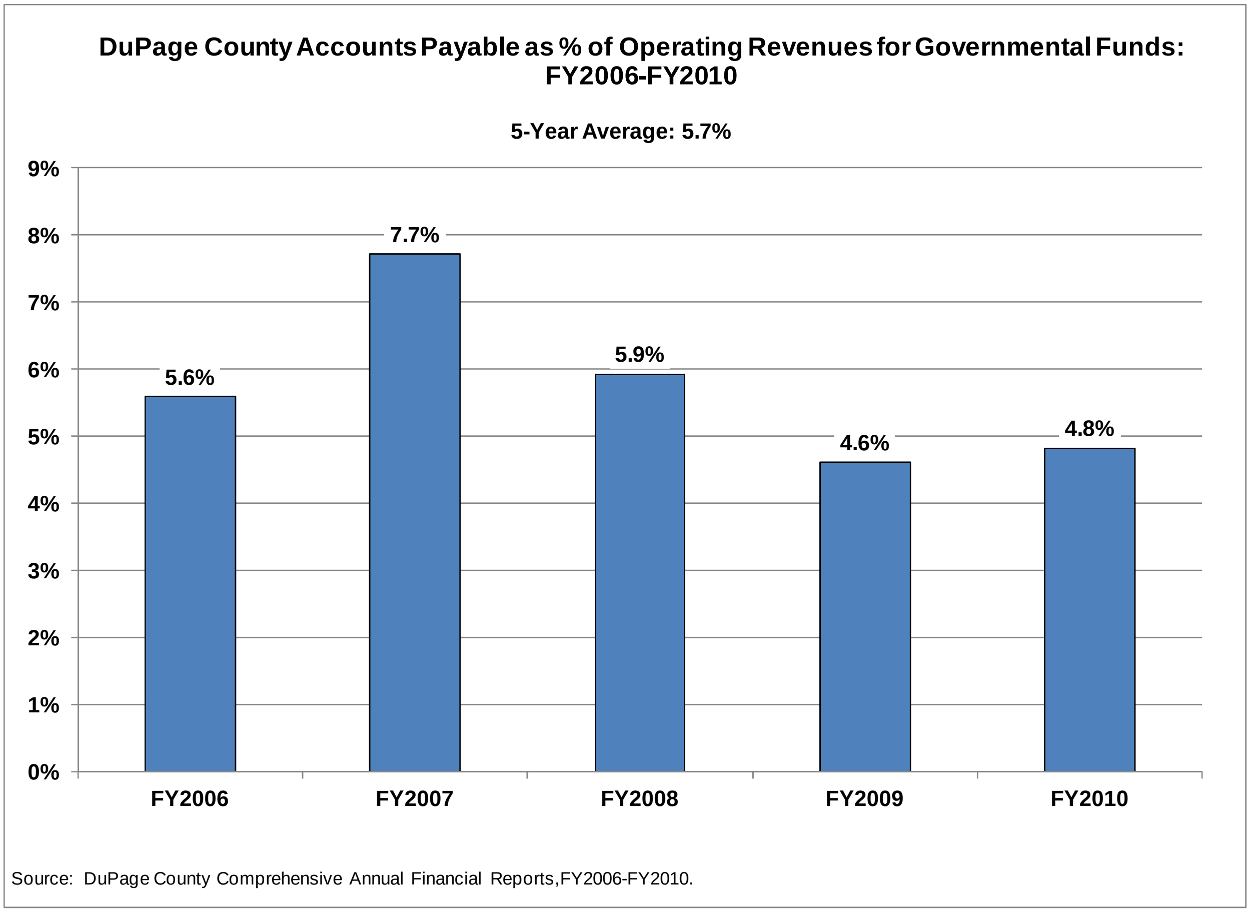
Source: DuPage County and Cook County Comprehensive Annual Financial Reports, Statements of Net Assets, FY2006-FY2010.

Accounts Payable

Over time, rising amounts of accounts payable carried forward from one fiscal year to the next may indicate a government's difficulty in controlling expenses or keeping up with spending pressures. DuPage County's ratio of accounts payable to operating revenues averaged 5.7% between FY2006 and FY2010 with the FY2010 ratio at 4.8%. This ratio of bills due at the end of the fiscal year compared to total annual revenues for operations peaked in FY2007 at 7.7% and declined to its lowest level in FY2009 at 4.6%. This declining trend is a positive sign that the County has managed spending pressures in recent years. However, any future spikes in this ratio

[59] Cook County Comprehensive Annual Financial Reports, Statements of Net Assets, FY2006-FY2008.

would warrant watching as an indication of possible fiscal instability. The following graph shows annual accounts payable carried forward from one fiscal year to the next by the County between FY2006 and FY2010.



LONG-TERM LIABILITIES

This section presents information about long-term liability trends for DuPage County. Also examined are trends for total long-term debt, new debt, debt per capita and bond ratings. Other long-term liabilities including net pension obligations and other post employment benefits (OPEB) are discussed on page 35 of this report.

The following exhibit provides an overview of the County's long-term liabilities ending FY2010, the last year for which data is available. Included are:

- *Bonds payable*: portions of bonded debt due in more than one year;
- *Accrued compensated absences and employee retention*: monies to fund compensated absences, such as vacation and sick leave, and the retention program, which offers compensation upon layoff or voluntary separation based on years of continuous service and age;
- *Claims payable*: estimated liabilities for healthcare, workers' compensation and tort liability claims expected to be paid out in more than one year;

- *Intergovernmental Contractual Payable*: the amount payable to the Illinois State Highway Authority for the construction of two interchanges on I-88;[60] and
- *OPEB and net pension obligations*: obligations for retiree healthcare and pensions.

DuPage County Governmental Activities Long-Term Liabilities (in $ thousands)		
	FY2010 Ending Balance	
Bonds Payable	$	328,830,000
Accrued Compensated Absences and Employee Retention Program	$	28,605,398
Claims Payable	$	6,125,209
Other Post-Employment Benefit Obligation	$	110,196
Intergovernmental Contractual Payable	$	3,750,000
Net Pension Obligation	$	1,953,852
Total	**$**	**369,374,655**

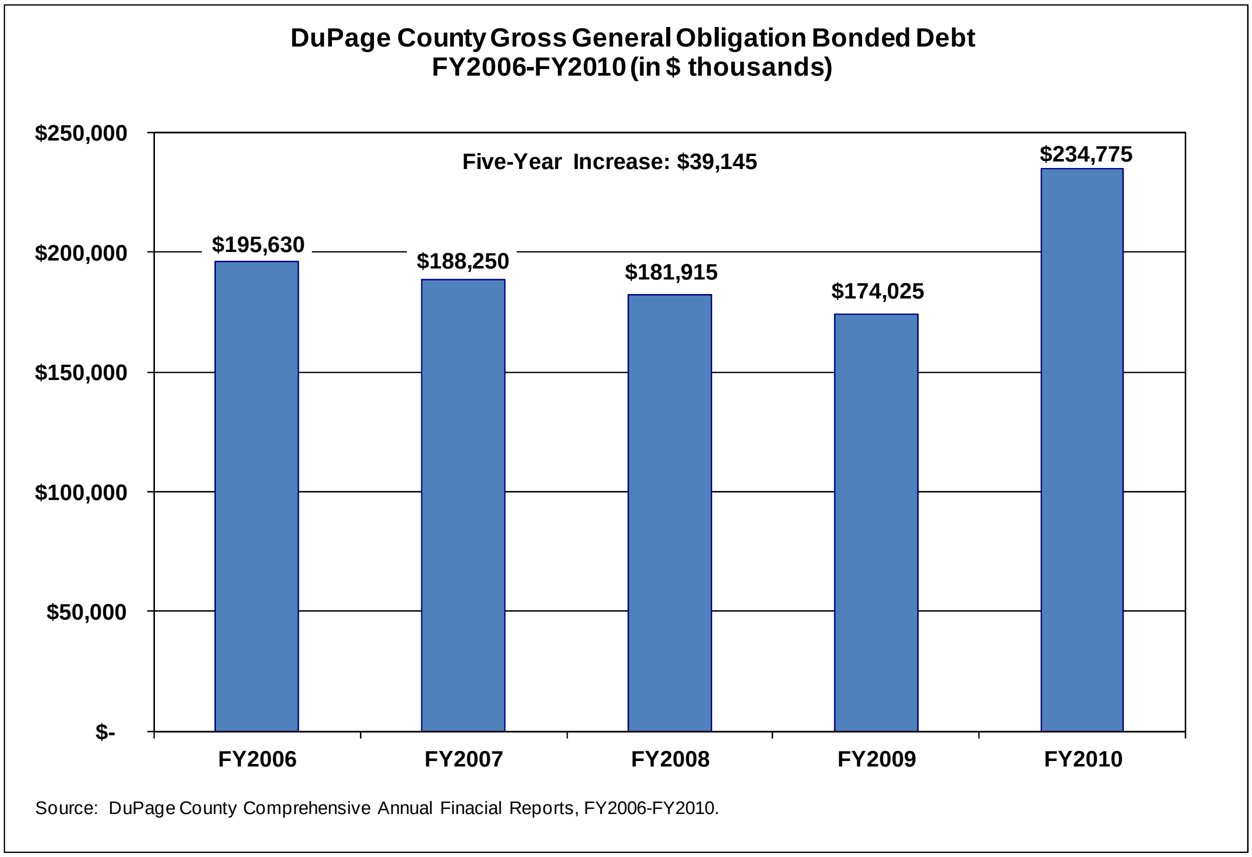
Source: DuPage County FY2010 Comprehensive Annual Financial Report, p. 47.

Almost 90% of DuPage County's $369.4 million of Governmental Activities long-term liabilities in FY2010 were bonds payable.

General Obligation Debt

The County's outstanding General Obligation debt fell from $195.6 million to $174.0 million between FY2006 and FY2009. This is a 12.5% decline totaling $24.9 million. In FY2010, the County issued additional Series 2010 Bonds to finance public improvement projects.[61] This bond issuance increased the County's total general obligation debt by 34.9%, or $60.8 million, to $234.8 million. The following chart shows total outstanding General Obligation Debt from FY2006 to FY2010, the most recent years for which data is available.

[60] Information provided by DuPage County Chief Financial Officer, October 13, 2011.
[61] In October 2010, the County issued $67.1 million of taxable General Obligation Alternate Revenue Recovery Zone Economic Development and Build America Bonds for public improvement projects throughout the County. Projects to be financed include stormwater improvements, courthouse and information technology improvements and emergency generators. See DuPage County Proposed FY2012 Financial Plan, p. 586.



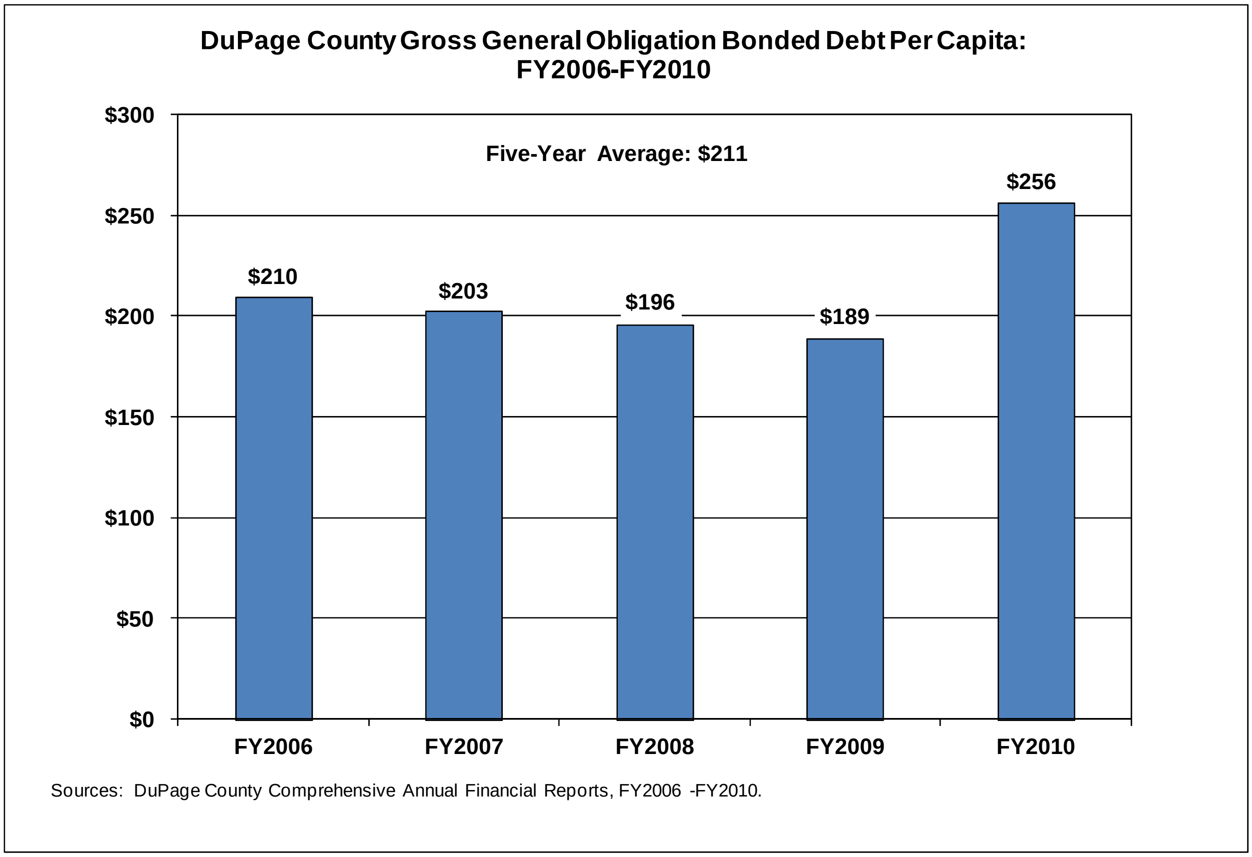
In August 2011, the County issued an additional $5.3 million dollars of General Obligation Refunding Bonds Series 2011 to refund remaining Series 2001 General Obligation Bonds. The savings will provide $900,000 in funding for various drainage projects or other general purposes.[62]

General Obligation Debt Per Capita

The next exhibit presents historic DuPage County gross general obligation bonded debt per capita figures. Debt per capita is a common measure of a government's ability to maintain its current financial policies and is used by investors and analysts to assess the affordability of a government's total debt burden.

[62] DuPage County Proposed FY2012 Financial Plan, p. 586.

DuPage County reported a downward trend in debt per capita, corresponding to the downward trend in total outstanding debt, between FY2006 and FY2009. The gross general bonded obligation debt per capita decreased from $210 to $189 over this period, or by 14.4%. With the sale of the Series 2010 Bonds, the total debt per capita increased to $256 in FY2010, a 35.8% year-to-year increase. Over the five-year period, the total debt per capita will have increased by 22.1% with the new bonds added to the County's total outstanding debt. The following graph shows total DuPage General Obligation debt per capita between FY2006 and FY2010.



Debt Service Appropriations

Debt Service Funds are governmental funds established to account for financial resources to be used for the payment of principal, interest and agency fees on bonds issued by the County, including special service area and alternate revenue bonds. Generally, local government rating agencies consider debt burden high when debt service payments are between 15% and 20% of the combined operating and debt-service fund expenditures.[63]

[63] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

The following exhibit presents actual expenditures from FY2008 to FY2010, FY2011 current estimates and FY2012 proposed appropriations for debt service. Since FY2007, debt service as a percentage of total spending has remained within a range of 3.6% to 4.3%.

DuPage County Debt Service Appropriations: FY2007-FY2012			
	Debt Service	Total Appropriation	Ratio
FY2008 Actual	$ 13,195,798	$ 305,008,276	4.3%
FY2009 Actual	$ 13,377,036	$ 333,285,875	4.0%
FY2010 Actual	$ 12,973,588	$ 315,496,484	4.1%
FY2011 Current	$ 15,355,044	$ 420,849,413	3.6%
FY2012 Proposed	$ 16,164,018	$ 410,532,518	3.9%

Source: DuPage County FY2011 Financial Plan, p. 104; Proposed FY2012, p. 108.

Overlapping Debt

The following exhibit compares total long-term debt issued by the various local governments in DuPage County with direct debt issued by DuPage County government. Rating agencies and other financial analysts commonly monitor overlapping debt trends as an affordability or capacity indicator when governments consider debt issuance.

DuPage County government issued approximately 1.7% of the $13.4 billion outstanding, long-term, overlapping debt attributed to the various governments wholly or partially within boundaries of the County in FY2010.[64] However, it is important to note that a significant component of the total overlapping debt is from the City of Chicago, since a portion of Chicago O'Hare International Airport lies in DuPage County.

The rate of growth of the debt issued by various overlapping governments was 28.4% during the most recent five-year period between FY2006 and FY2010. During the same period, DuPage County reported an increase of 20.0%, due largely to the issuance of $66.3 million of Series 2010 Bonds in October 2010. The following chart shows total overlapping debt compared to DuPage County's direct debt between FY2006 and FY2010.

DuPage County Government vs. Overlapping Governments Debt: FY2006-FY2010			
	DuPage County Government	Overlapping Governments	Total Debt
FY2006	$195,630,000	$10,280,478,507	$10,476,108,507
FY2007	$188,250,000	$11,353,098,249	$11,541,348,249
FY2008	$181,915,000	$11,560,970,281	$11,742,885,281
FY2009	$174,025,000	$12,425,830,264	$12,599,855,264
FY2010	$234,775,000	$13,203,825,387	$13,438,600,387
5-Yr $ Change	**$39,145,000**	**$2,923,346,880**	**$2,962,491,880**
5-Yr % Change	**20.0%**	**28.4%**	**28.3%**

Source: DuPage County Comprehensive Annual Financial Reports, FY2006-FY2010.

[64] DuPage County provides audited financial information including total overlapping debt in the publication of it annual CAFR.

Current DuPage County Bond Ratings

DuPage County has the following bond ratings as of September 30, 2011:[65]

- Standard and Poor's – AAA
- Fitch – AAA
- Moody's – Aaa

[65] DuPage County Proposed FY2012 Financial Plan, p. 586.