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Summary:

La Grange Park, Illinois; General Obligation

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Credit Profile		
US$11.0 mil GO corp purpose bnds (Road Improvements And Fire Safety Vehicles) ser 2016 due 12/01/2026		
Long Term Rating	AA+/Stable	New
La Grange Pk Vill GO rfdg bnds (alternate rev source)		
Long Term Rating	AA+/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' rating to the Village of La Grange Park, Ill.'s series 2016 general obligation (GO) corporate purpose bonds. At the same time S&P Global Ratings affirmed its 'AA+' rating on the series 2014 general obligation (GO) refunding alternate revenue source bonds. The outlook is stable.

The village's ad valorem property taxes, unlimited to rate or amount, secure the bonds. Some pledged revenue also secure the 2014 bonds, but we rate to the GO because the alternative revenue source pledge does not meet our criteria. We understand La Grange Park plans to annually abate the debt service property tax levy only upon full funding of the bond fund for the 2014 bonds. Proceeds from the 2016 bonds will fund road improvements and the purchase of fire safety equipment.

The ratings reflect our assessment of the following factors:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment methodology;
- Strong budgetary performance, with an operating surplus in the general fund but an operating deficit at the total governmental fund level in fiscal 2015;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 51% of operating expenditures;
- Very strong liquidity, with total government available cash at 74.8% of total governmental fund expenditures and 29.9x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges at 2.5% of expenditures and net direct debt that is 109.2% of total governmental fund revenue, as well as rapid amortization, with 90.8% of debt scheduled to be retired in 10 years, but a large pension and other postemployment benefit (OPEB) obligation; and
- Strong institutional framework score.

Strong economy

We consider La Grange Park's economy strong. The village, with an estimated population of 14,081, is located in Cook County in the Chicago-Naperville-Elgin MSA, which we consider broad and diverse. The village has a projected per capita effective buying income of 121% of the national level and per capita market value of $67,967. Overall, the village's market value was stable over the past year at $957.1 million in levy 2014. The county unemployment rate was 6.1% in 2015.

La Grange Park is 17 miles southwest of downtown Chicago. Officials report the employment base is stable and that construction valuations increased 13% in 2015. The village has hired a consultant that is researching the proposal of establishing two tax increment financing districts and four business districts. Management reports that La Grange Park's equalized assessed value (EAV) decreased 3% in levy 2015 due to the drop in the state multiplier. Officials do not anticipate further declines in the EAV.

Strong management

We view the village's management as strong, with good financial policies and practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them regularly.

La Grange Park uses historical and outside information to produce revenue and expenditure assumptions for the budget and the budget can be amended if necessary. Management reports monthly to the board on budget-to-actual performance comparisons as well as the investment portfolio. The village uses multiyear planning for both capital and financial purposes, and its formal reserve policy stipulates that it must maintain a reserve level equal to at least 25% of revenue less one-time items and capital transfers, for cash flow purposes. It has a debt management policy, but the debt limit is not more conservative than the state limitation.

Strong budgetary performance

La Grange Park's budgetary performance is strong in our opinion. The village had surplus operating results in the general fund of 5.4% of expenditures, but a deficit result across all governmental funds of negative 2.5% in fiscal 2015.

We adjusted the fiscal 2015 general fund expenditures to exclude at one-time transfer for capital projects in the amount of $854,000, which management used for a complete resurfacing of two roads. The previous year, La Grange Park achieved a general fund surplus of $582,000. These surpluses follow the village's restructuring of the tax and fee structure aimed at increasing revenues. La Grange Park budgeted for a deficit of $118,000 in fiscal 2016, but reports that it estimates revenues to be 5% higher and expenditures 2% lower than budgeted. The village reported its fiscal 2017 budgetary challenges were associated with the consolidation of the La Grange and Western Springs, Ill., emergency dispatch centers. La Grange Park reports it will likely use $350,000 of reserves toward this consolidation project but will see savings in the future. The village fiscal 2017 calls for a deficit of $287,000, but believes this is a conservative budget. The fiscal 2017 total governmental funds may show a deficit due to the complete transfers of the 911 funds to a fund outside of the village for the consolidated dispatch center, but we expect the performance to remain stable.

Very strong budgetary flexibility

La Grange Park's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2015 of 51% of operating expenditures, or $4.1 million. We expect the available fund balance to remain above 30% of expenditures, which we view as a positive credit factor.

The village reports that the general fund balance will remain stable in fiscal 2016, with slight drawdowns in fiscal 2017 due to the dispatch consolidation.

Very strong liquidity

In our opinion, La Grange Park's liquidity is very strong, with total government available cash at 74.8% of total governmental fund expenditures and 29.9x governmental debt service in 2015. In our view, the village has strong access to external liquidity if necessary.

We expect cash levels to remain very strong. The village does not have any direct purchase or privately placed debt.

Adequate debt and contingent liability profile

In our view, La Grange Park's debt and contingent liability profile is adequate. Total governmental fund debt service is 2.5% of total governmental fund expenditures, and net direct debt is 109.2% of total governmental fund revenue. Approximately 90.8% of the direct debt is to be repaid within 10 years, which is in our view a positive credit factor.

We revised the village's debt to what we view as adequate, from very strong, due to the issuance of the bonds. We understand La Grange Park does not have bonding plans in the next two years.

In our opinion, a credit weakness is the village's large pension and OPEB obligation. La Grange Park's combined required pension and actual OPEB contributions totaled 11.1% of total governmental fund expenditures in 2015. Of that, 10.1% represented required contributions to pension obligations, and 0.9% represented OPEB payments. The village made 99% of its annual required pension contribution in 2015. The funded ratio of the largest pension plan is 56.4%.

La Grange Park contributes to the, state pooled, Illinois Municipal Retirement Fund (IMRF) and the Police Pension fund of the Village of La Grange Park (a single employer plan). It also offers a single-employer, defined-benefit OPEB health plan that it funds on a pay-as-you-go basis. At the most recent valuations, which were completed in accordance with GASB statement number 67, the police plan fiduciary net position was 56% funded with a $10.4 million net pension liability, the IMRF was 95% funded with a $422,000 net pension liability, and the OPEB plan was 0% funded with a $1.7 million liability. The village has new pension funding policy, which includes updated actuarial assumptions that increased the annual contributions and decreased the funded ratio. We expect that it will take time for the funding level of the plan to improve significantly.

Strong institutional framework

The institutional framework score for Illinois non-home rule cities and villages subject to the Property Tax Extension Limitation Law is strong.

Outlook

The stable outlook reflects our expectation that La Grange Park will maintain its very strong budgetary flexibility and liquidity position.

Downside scenario

We could consider a lower rating if the village's debt profile continued to decline.

Upside scenario

We do not expect to raise the rating during the two-year outlook horizon due to La Grange Park's large police pension burden. The village has begun addressing the funded ratio of the police plan, but that an improved funded ratio will occur beyond the two years. Still, we could consider a higher rating with proof of sustained very strong budgetary performance, strengthening of local economic characteristics and debt profile improvement.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- 2015 Update Of Institutional Framework For U.S. Local Governments
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings public website at www.standardandpoors.com. Use the Ratings search box located in the left column.