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Summary:

Rolling Meadows Park District, Illinois; General Obligation

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Credit Profile		
US$3.19 mil GO ltd tax pk bnds ser 2013 due 12/01/2018		
Long Term Rating	AA-/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' long-term rating to Rolling Meadows Park District, Ill.'s series 2013 general obligation (GO) limited tax park bonds. The outlook is stable.

The ratings reflect our assessment of the district's:

- Participation in the diverse Chicago metropolitan area economy;
- Strong income and very strong market value per capita indicators;
- Strong financial reserves, despite a negative fund balance in the recreation fund; and
- Moderate overall net debt per capita.

These positive credit factors are partly offset by a continuing decline in the district's equalized assessed valuation (EAV).

The purpose of the series 2013 bonds is to currently refund the district's series 2004 alternate revenue source GO bonds for interest cost savings and to fund various capital projects. The series 2013 bonds are general obligation of the district secured by the district's debt service extension base, which is limited as to amount but unlimited as to rate.

Rolling Meadows Park District serves an estimated population of 25,000 in the Village of Rolling Meadows, which is located approximately 20 miles northwest of downtown Chicago. Residents have access to a wide variety of employment opportunities in the Chicago metropolitan area. In addition, commuter train service to downtown Chicago is available in nearby Palatine and Arlington Heights. The district's equalized assessed value (AV) declined by 28% to $668.8 million from levy year 2009 to levy year 2012. The district's estimated market value for 2012 was approximately $2 billion or $80,260 per capita, which we consider very strong. In addition, income levels in the district are strong in our view, with median household effective buying income at 119% of the national average in 2012.

The district is subject to a property tax levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction, which limits property tax growth but allows growth despite market declines in the tax base. For audited fiscal 2013, the district posted a $11,000 shortfall in the general fund, leaving it with an available general fund balance of $668,000, or 59% of expenditures. The district posted a $267,948 surplus in the recreation fund, improving the negative fund balance in that fund to negative $210,927. Combined, the unassigned general and recreation fund balance was $457,073 at 2013 fiscal year end or 8.5% of combined expenditures in these funds, which we consider strong. For 2014, the district budgeted for a $10,000 shortfall in the general fund, and management now projects break-even results after transfers. With regard to the recreation fund in 2014, the district budgeted a $135,000 shortfall but now expects to report a surplus of about $200,000. Management advises that they have made reducing the recreation fund's negative balance a priority by apportioning a higher level of property taxes for the recreation fund.

The district's financial management assessment (FMA) score is "standard". An FMA of "standard" indicates our view that the district maintains adequate policies in some, but not all, key areas. Among other policies, the district provides monthly updates to the board regarding its budget and the district follows state guidelines regarding its investment policies.

The district's overall net debt per capita including overlapping debt is $2,340, which we consider moderate, and the district's overall net debt as a percent of market value is low at 2.9%. Amortization of the district's debt is rapid, with 100% of debt due to be retired in 10 years. Debt service carrying charges were a moderate 14% in fiscal 2013. The district has no additional debt plans at this time.

The district participates in the Illinois Municipal Retirement Fund (IMRF), which is a multiple-employer pension plan to which the district pays its full annual pension cost (APC) each year. For fiscal year 2013, the district made a contribution payment of $341,554 or 100% of its required APC. As of Dec. 31, 2012, the district's IMRF plan was 69% funded with unfunded actuarial accrued liability of $2 million.

Outlook

The stable outlook reflects Standard & Poor's expectation that the rating will not change during the next two years because we anticipate that the district will maintain at least breakeven operations and maintain strong financial reserves. We may lower the rating if the district draws down its reserves significantly. However, if the district continues to progress in eliminating its negative balance in the recreation fund, as well as builds up the recreation fund balance, we could raise the rating. The district's participation in the in the broad and diverse Chicago metropolitan economy lends stability to the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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