STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

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Summary:

Oak Park Village, Illinois; General Obligation

Primary Credit Analyst:
David H Smith, Chicago (312) 233-7029; david.smith@standardandpoors.com

Secondary Contact:
Antionette E Maxwell, Chicago (1) 312-233-7016; antionette.maxwell@standardandpoors.com

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Summary:

Oak Park Village, Illinois; General Obligation

Credit Profile		
US$20.365 mil GO corp purp rfdg bnds ser 2016A due 11/01/2032		
Long Term Rating	AA/Stable	New
US$4.125 mil taxable GO corp purp bnds ser 2016B due 11/01/2035		
Long Term Rating	AA/Stable	New
US$2.9 mil taxable GO corp purp bnds ser 2016C due 11/01/2021		
Long Term Rating	AA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating (SPUR) to Oak Park Village, Ill.'s series 2016A general obligation (GO) corporate purpose refunding bonds, series 2016B taxable GO corporate purpose bonds, and series 2016C taxable GO corporate purpose bonds. At the same time, Standard & Poor's affirmed its 'AA' rating on the village's existing GO debt. The outlook is stable.

The series 2016A, B and C GO bonds are secured by unlimited ad valorem property taxes. The village will use the series 2016A bond proceeds to currently refund remaining maturities on the village's series 2006B bonds and to defease a portion of the November 2016 maturity. The series 2016B and C bonds will be used for capital improvements in the village.

The rating reflects our view of the village's:

- Very 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 (FMA) methodology;
- Adequate budgetary performance, with operating results that we expect could improve in the near term relative to fiscal 2014, which closed with operating deficits in the general fund and at the total governmental fund level in fiscal 2014;
- Strong budgetary flexibility, with an available fund balance in fiscal 2014 of 10.8% of operating expenditures;
- Very strong liquidity, with total government available cash at 22.2% of total governmental fund expenditures and 1.8x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges at 12.6% of expenditures and net direct debt that is 107.5% of total governmental fund revenue, and a large pension and other postemployment benefit (OPEB) obligation and the lack of a plan to sufficiently address the obligation, but rapid amortization, with 77.0% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Oak Park's economy very strong. The village, with an estimated population of 51,944, is located in Cook

County in the Chicago-Naperville-Elgin, IL-IN-WI MSA, which we consider to be broad and diverse. The village has a projected per capita effective buying income of 158% of the national level and per capita market value of $84,585. Overall, the village's market value grew by 7.0% during the past year to $4.4 billion in 2015. The county unemployment rate was 7.4% in 2014.

Oak Park is 8 miles west of downtown Chicago, and both Metra suburban commuter trains and Chicago Transit Authority elevated trains serve the village. The village is mostly built out and is primarily residential with a wide variety of rental and owner-occupied housing; it contains more than 60 homes and buildings designed by architect Frank Lloyd Wright, including his former studio. The village's equalized assessed value (AV) declined by 14% from 2011 to 2013 before increasing 1% to $1.38 billion in 2014. The village's estimated market value is currently $4.4 billion, including incremental value associated with tax increment financing districts. The tax base is very diverse in our view, with the 10 largest taxpayers accounting for 4% of equalized AV.

Strong management

We view the village's management as strong, with "good" financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Management provides the board with monthly budget-to-actual reports, and prepares the budget with the help of a five-year capital improvement plan. Management does not maintain financial projections. The board adopted an investment policy, and receives treasurer's reports with portfolio information monthly. The formal fund balance policy requires a minimum general fund balance equal to at least 10% of the current year's expenditures, 60% of which should be cash and investments. The village does not have a debt management policy.

Adequate budgetary performance

Oak Park's budgetary performance is adequate in our opinion. The village had operating deficits of negative 2.3% of expenditures in the general fund and of negative 2.3% across all governmental funds in fiscal 2014. Our assessment accounts for the fact that we expect budgetary results could improve from 2014 results in the near term.

The village is a home-rule entity, which means that it is not subject to property tax rate or levy caps and can increase its home-rule sale tax without voter referendum. For fiscal 2015, management projects a general fund surplus after transfers of about $1.4 million, or 2.9% of expenditures. With regard to total governmental funds, the village anticipates a break-even result. For fiscal 2016, the village indicates that it projects that it will make certain planned transfers out of the general fund to its health insurance and self-insured retention fund, leaving it with a projected deficit of $859,000 in the general fund. We expect the village's budgetary performance with remain adequate in the near term.

Strong budgetary flexibility

Oak Park's budgetary flexibility is strong, in our view, with an available fund balance in fiscal 2014 of 10.8% of operating expenditures, or $5.5 million.

Available reserves consist of the general fund assigned and unassigned fund balances. The village's unassigned general fund balance improved in recent years as the parking fund repaid amounts borrowed from the general fund. Efforts to restructure the parking system and increase parking fees resulted in a return to positive operations a few years ago.

For unaudited fiscal 2015, we anticipate that the village's available fund balance will likely increase to $7 million or 13.4% of general fund expenditures.

Very strong liquidity

In our opinion, Oak Park's liquidity is very strong, with total government available cash at 22.2% of total governmental fund expenditures and 1.8x governmental debt service in 2014. In our view, the village has strong access to external liquidity if necessary.

We believe the village has strong access to external liquidity because of its recent history of GO debt issuances. With management's projections for a general fund surplus in 2015, we believe liquidity will likely remain very strong in the near term.

Very weak debt and contingent liability profile

In our view, Oak Park's debt and contingent liability profile is very weak. Total governmental fund debt service is 12.6% of total governmental fund expenditures, and net direct debt is 107.5% of total governmental fund revenue. Approximately 77.0% of the direct debt is scheduled to be repaid within 10 years, which is in our view a positive credit factor.

The village indicates that it plans to issue an additional $17 million in new money debt for capital improvements within the next two years.

In our opinion, a credit weakness is Oak Park's large pension and OPEB obligation, without a plan in place that we think will sufficiently address the obligation. Oak Park's combined required pension and actual OPEB contributions totaled 12.3% of total governmental fund expenditures in 2014. Of that amount, 11.6% represented required contributions to pension obligations, and 0.7% represented OPEB payments. The village made 101% of its annual required pension contribution in 2014. The funded ratio of the largest pension plan is 60.5%.

The village has three pension plans for its employees: separate single-employer, defined-benefit plans for the police and firefighters, and the Illinois Municipal Retirement Fund (IMRF) for other employees. For fiscal 2014, the village paid 98.7% of its IMRF annual pension cost (APC) according to the IMRF's multiyear phase-in program, 102.4% of its police APC, and 102.6% of its firefighters APC. The village paid more than 100% of its police and firefighters APC in 2012 and 2013. The village's IMRF funded level was 82% as of Dec. 31, 2012, which we consider adequate. As of Dec. 31, 2013, the police pension fund had a funded ratio of 61%, while the firefighters' pension fund had a funded ratio of 47%, which we consider low. The village subsidizes retiree health care benefits on a pay-as-you-go basis. Total pension APCs and OPEB costs in 2014 were $9.3 million. We regard the village's low funded levels for its police and firefighters and its high pension costs to be negative credit factors.

Strong institutional framework

The institutional framework score for Illinois home-rule cities and villages is strong.

Outlook

The stable outlook reflects our expectation that the village's rating will not change within a two-year horizon because we believe the village will take the steps necessary to maintain balanced general fund operations in most years. We anticipate that the village will maintain its very strong liquidity and strong budgetary flexibility in the near term. The village's participation in the broad and diverse Chicago MSA further supports the rating.

Upside scenario

A higher rating is predicated on improvement in the village's very weak debt and contingent liability profile, including improvement with respect to the village's underfunded pension liabilities.

Downside scenario

We may lower the rating if Oak Park is unable to maintain balanced operations, causing budgetary performance and flexibility to weaken as a result.

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: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of March 10, 2016)		
Oak Park Vill GO		
Long Term Rating	AA/Stable	Affirmed
Oak Park Vill GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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 Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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