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New Issue

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Park District of La Grange, IL

New Issue - Moody's assigns Aa2 to Park District of La Grange's (IL) $1.6M GO Refunding Bonds, Series 2016

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to the Park District of La Grange's (IL) $1.6 million General Obligation Refunding Bonds (Alternate Revenue Source), Series 2016. Concurrently, Moody's maintains the Aa2 rating on the park district's outstanding general obligation (GO) debt. Post sale, the park district will have $8.3 million of GO debt outstanding.

The Aa2 rating reflects the park district's stable operations which benefit from strong user support and a lack of competition, satisfactory reserves, and a manageable debt profile. Additionally, the rating incorporates the park district's mature, moderately sized suburban Chicago (Ba1 Negative) tax base and above average socioeconomic characteristics.

Credit Strengths

» Stable financial operations with satisfactory reserves

» Above average socioeconomic characteristics

Credit Challenges

» Substantial tax base declines in four of the past five years

Rating Outlook

Outlooks are not typically assigned to local government credits with this amount of debt.

Factors that Could Lead to an Upgrade

» Substantial growth in the park district's tax base

» Sustained increase in Operating Fund reserve

Factors that Could Lead to a Downgrade

» Material declines in fund balances and liquidity

» Additional declines in tax base valuation

Key Indicators

Exhibit 1

Park District of La Grange, IL	2011	2012	2013	2014	2015
Economy/Tax Base					
Total Full Value ($000)	$ 2,388,213	$ 1,961,133	$ 1,832,915	$ 1,732,540	$ 1,783,173
Full Value Per Capita	$ 154,208	$ 126,013	$ 117,359	$ 110,932	$ 114,674
Median Family Income (% of US Median)	185.0%	185.9%	189.7%	189.7%	189.7%
Finances					
Operating Revenue ($000)	$ 3,071	$ 3,304	$ 3,679	$ 3,891	$ 4,062
Fund Balance as a % of Revenues	10.0%	11.9%	16.3%	22.5%	29.2%
Cash Balance as a % of Revenues	37.4%	39.5%	43.5%	48.9%	69.4%
Debt/Pensions					
Net Direct Debt ($000)	$ 8,296	$ 7,875	$ 9,605	$ 9,155	$ 8,681
Net Direct Debt / Operating Revenues (x)	2.7x	2.4x	2.6x	2.4x	2.1x
Net Direct Debt / Full Value (%)	0.3%	0.4%	0.5%	0.5%	0.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.3x	0.3x	0.4x	0.4x	0.4x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.0%	0.1%	0.1%	0.1%	0.1%

Source: Audited Financial Statements

Recent Developments

Since our most recent report dated April 24, 2015, the park district has concluded its fiscal 2015 year and has since released audited financial statements. In fiscal 2015, the park district recorded a combined operating surplus of $243,000 in its General Fund and Recreation Fund, increasing available fund balance to $1.2 million or an adequate 29.3% of operating revenues. The remainder of this report remains largely unchanged.

Detailed Rating Considerations

Economy and Tax Base: Affluent, Suburban Chicago Tax Base

The park district's $1.8 billion tax base is expected to stabilize following a multi-year trend of declines. Located approximately 18 miles southwest of downtown Chicago, the park district is essentially coterminous with the Village of La Grange (Aa2). While the park district's tax base has declined at an average annual rate of 5.8% over the past five years, trends began to reverse in 2015 with year-over-year growth of 2.9%. Officials report the stabilization is largely attributable to recovering housing valuations and several recent economic developments. In fall 2015, developers broke ground on a 265 unit luxury rental property with 9,000 square feet of retail space, an investment estimated to be in excess of $100 million. Additionally, a healthcare clinic has announced plans to build a $35 million mental health and treatment facility. The park district's socioeconomic profile is well above average with median family income and per capita income at 190% and 173% of the national median, respectively. Unemployment in Cook County (A2 Negative) was 5.5% as of November 2015, in line with the state (5.8%) and above the national (4.8%) rates for the same period.

Financial Operations and Reserves: Stable Operations Benefiting from Strong User Support

Moody's expects the park district's financial position to remain sound given its satisfactory operating reserves and revenues derived from strong programmatic offerings and user support. Reserves in the Operating Fund (which consists of the General, Recreation, and Debt Service Funds), declined in the three years ending fiscal 2012 due to litigation expenses associated with a contested land sale. In 2006, voters authorized the district to sell 2.82 acres of land, but the district was sued by several community members wishing to prevent the sale. From fiscal 2008 through fiscal 2012, the district spent approximately $1.0 million on legal expenses with the majority of the expenditures paid from the Operating Fund. In 2013, the Illinois Appellate Court First Judicial District affirmed a lower court's ruling in favor of the district's authority to sell the land. Since the ruling, the district's outsized litigation expenses have been removed and General and Recreation Funds have posted three consecutive years of operating surpluses. In fiscal 2015, the district's Operating Fund recorded a $243,000 operating surplus, bringing its available fund balance to $1.2 million or an adequate 29.2% of

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revenues. Management has budgeted for balanced operations in fiscal 2016 and has indicated that year-to-date results are tracking favorably.

Property taxes are the park district's primary source of revenue, accounting for 55% of total Operating Revenues in fiscal 2015. Current property tax rates are well below the maximum allowable rate for all funds; however, the district has limited ability to increase rates to generate additional levy revenue because annual levy increases are limited to the lesser of 5% or the increase in the Consumer Price Index (CPI). The district typically levies to the maximum under tax caps providing for steady growth in property tax revenues. Program fees made up 44% of operating revenues in fiscal 2015 and have shown healthy signs of growth in recent years. In 2011, the district implemented a neighborhood network pricing structure which offered reduced rates to non-resident, neighboring community members. Since the new pricing model was introduced, non-resident program participation has increased by 31%.

LIQUIDITY

The park district's liquidity position is expected to remain stable moving forward and potentially improve upon the closing of a land sale. At fiscal year-end 2015, the park district's net cash balance was $2.8 million, or a strong 69.4% of Operating Fund revenues. As of January 2015, the district is in the process of closing the sale of a 2.82 acre plot of land. Officials expect to receive market value for the land and report that proceeds from the sale, should it successfully close, would be used for capital needs and the rebuilding of reserves.

Debt and Pensions: Manageable Debt and Pension Obligations

Moody's expects the park district's debt burden to remain low given a lack of future borrowing plans. At fiscal year-end 2015, the park district's direct debt burden was $8.6 million, or a manageable 0.5% of full valuation. Outstanding debt is inclusive of $8.3 million in rated GO alternative revenue debt and $316,000 in unrated general obligation limited tax (GOLT) debt secured by the park district's debt service extension base (DSEB). The park district annually issues short term GOLT bonds that fully leverage its DSEB to pay debt service on the outstanding GO alternate revenue bonds. The amount of the DSEB covers the amount of annual debt service on the GOLT bonds that are secured by the DSEB.

The park district's annual debt service was equal to 22% of 2015 operating expenditures. Total fixed costs (inclusive of annual debt service and pension contributions) were equal to 25% of operating expenditures.

DEBT STRUCTURE

All of the park district's debt is fixed rate. Amortization is sound with 70% of principal retired within ten years.

DEBT-RELATED DERIVATIVES

The park district has no derivatives.

PENSIONS AND OPEB

The park district's pension liabilities are manageable, based on unfunded liabilities for its participation in the Illinois Municipal Retirement Fund (IMRF), a multi-employer agent plan. For fiscal 2015, the district contributed $121,000, which was equal to the actuarially determined annual contribution requirement for the district. Moody's fiscal 2015 adjusted net pension liability (ANPL) for the district, under our methodology for adjusting reported pension data, is $2.0 million or 0.5 times operating revenues and 0.1% of full valuation. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the park district's reported liability information, but to improve comparability with other rated entities.

Management and Governance: Strong Fiscal Oversight

Illinois park districts have an institutional framework score of "Aa", or strong. Districts are primarily funded by property taxes and fees. Property tax revenues for operations are capped as to rate. Total property tax operating yield for districts subject to the Property Extension Limitation Law (PTELL) is capped to the lesser of 5% or growth in the CPI, plus new construction. Districts have the flexibility to implement or raise fees. Park districts also benefit from significant expenditure flexibility given the large percentage of the workforce made up of part-time employees and the ability to cut programming.

In recent years, the Park District of La Grange's management has focused on increasing fee revenues through the implementation of a neighborhood network pricing structure while keeping program expenditures stable. Driven by the pricing structure, non-resident program participation numbers and fee revenues have grown considerably in recent years.

Legal Security

The GO alternate revenue bonds are ultimately secured by the park district's general obligation unlimited tax pledge. However, the general levy on the bonds is expected to be abated annually, through a covered abatement, and offset by revenues generated from the proceeds of the district's issuance of GOLT DSEB-supported debt, as well as all other additional available alternate revenues.

Use of Proceeds

Proceeds of the bonds will be used to advance refund a portion of the park district's outstanding General Obligation Park bonds (Alternate Revenue Source), Series 2006 and pay certain costs associated with the issuance of the bonds.

Obligor Profile

The park district is located in Cook County and is essentially coterminous with the Village of La Grange. The park district operates a recreation center, community center, and numerous athletic fields while maintaining approximately 81 acres of park land.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 2

LA GRANGE PARK DISTRICT, IL

Issue	Rating
General Obligation Refunding Bonds (Alternate Revenue Source), Series 2016	Aa2
Rating Type	Underlying LT
Sale Amount	$1,600,000
Expected Sale Date	02/04/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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