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Summary:

Frankfort Square Park District, Illinois; General Obligation

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Credit Profile

US\$1.2 mil GO bnds (alternate revenue source) ser 2009 due 10/01/2029

Long Term Rating

A/Stable

New

Rationale

The 'A' long-term rating assigned to Frankfort Square Park District, Ill.'s alternate revenue source general obligation (GO) bonds series 2009 reflects the district's:

- Participation in the deep and diverse Chicago metropolitan area economy;
- Very strong income and wealth levels;
- Very diverse, growing tax base; and
- Moderate debt levels with no future capital needs.

Offsetting these strengths are the district's negative fund balances in both its general and recreation funds to finish fiscal 2008 .

Securing the series 2009 bonds is a pledge to pay debt service primarily from the annual sale of short-term GO bonds that will be paid from the district's debt service extension base, which is a GO pledge that provides for the extension of a debt service levy limited as to amount but unlimited as to rate. An unlimited property tax levy provides additional security on the bonds. Property taxes will be annually abated in anticipation of the sale of short-term GO bonds, but sufficient funds are not required to be on hand for the taxes to be abated. The district has historically maintained adequate cash balances on debt service due dates, providing additional security against the potential delay of short-term GO bonds sales. The district will use bond proceeds to pay for the purchase of land, along with the building, maintenance, and improvement expenses associated with both the purchased and existing land and facilities. The district will also use proceeds to refund and retire certain loans and installment contracts that were entered into for park improvements.

The district is located approximately 25 miles southwest of downtown Chicago and 12 miles east of Joliet, Ill. It includes all of unincorporated Frankfort Square and portions of the villages of Frankfort and Tinley Park. The growing population served is currently estimated at 16,000. Residents have access to a wide variety of employment opportunities both locally and throughout the metropolitan area via several interstate and U.S. highways. In addition, residents can commute to downtown Chicago via the Metra train system. Income levels vary, but are well above average in all of the served communities. In 2008, compared with national averages, median household effective buying incomes ranged from 125% in Tinley Park to 154% in Frankfort Square and 185% in Frankfort. The district's tax base has exhibited substantial growth, increasing at an average annual rate of 20% over levy years 2004 through 2007. The fair market value of the tax base is approximately \$1.8 billion, or, in Standard & Poor's Ratings Services' opinion, a very strong \$113,656 per capita. The 10 leading taxpayers account for a very diverse 2.4% of the total tax base.

The district is subject to a levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction. The district's rapidly growing tax base has mitigated the levy cap impacts. Following a \$497,000 surplus in fiscal 2007, the district had a \$613,000 shortfall that brought the fiscal-year end April 30, 2008, general fund balance down to negative \$104,000, or a low negative 4.6% of general fund expenditures. The district attributes the shortfall to capital spending on the development of a new nature center. The district expects to eliminate the general fund deficit during fiscal 2009 by paying off all of its current liabilities, mostly with funding from bond proceeds. District officials estimate that, following the removal of current liabilities, the ending fiscal 2009 general fund balance will total approximately \$600,000, or an estimated 30% of expenditures, as measured on a cash basis. In addition, the district plans on raising its recreation fund balance (negative \$88,000 at fiscal year-end 2008) to a zero balance by the end of fiscal 2010 through budgeted transfers from the general fund.

Standard & Poor's considers the district's financial management "standard" under its Financial Management Assessment methodology, indicating that the finance department maintains adequate policies in some, but not all, key areas. Highlights of the district's practices include monthly budget and investment reports to the board, budget assumptions based on historical trends, and a five-year capital plan that schedules district needs and improvements by year and cost. The district does not adhere to any formal debt management or fund balance reserve policies.

In our opinion, the overall debt burden is high at \$5,956 per capita and moderate at 5.2% of market value. Because the district funds its current year's debt service with annual GO bonds issuance, its carrying charge is high, at 23.6% in 2008. The district does not have any additional debt plans at this time.

Outlook

The stable outlook reflects Standard & Poor's expectation that the district will take the necessary steps to restore balanced operations while maintaining at least adequate liquidity and fund balance reserves. The district's participation in the deep and diverse Chicago metropolitan economy lends stability to the rating.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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