

# RatingsDirect®

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## Summary:

# Sycamore Park District, Illinois; General Obligation

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### Credit Profile

Sycamore Pk Dist GO (BAM)

*Unenhanced Rating*

A+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

## Rationale

S&P Global Ratings raised its underlying rating (SPUR) on Sycamore Park District, Ill.'s general obligation (GO) debt one notch to 'A+' from 'A'. The outlook is stable.

The rating action reflects our opinion of the district's significantly improved reserves due to a property tax rate increase and sustainable savings measures taken during the past few fiscal years.

The stable outlook on the SPUR reflects our opinion that the district will likely maintain its very strong reserves over the next few fiscal years.

Proceeds from the annual sale of short-term bonds secured by the district's debt service extension base and any other available money secure the bonds. To the extent pledged revenue falls short, the district's pledge to levy an unlimited ad valorem tax to pay debt service provides additional bond security. The district can abate the tax annually, but it expects to have sufficient pledged revenue on hand later in the year to pay annual debt service in December 2016. The district has, in our opinion, sufficient liquidity in terms of amounts held as working cash and cash in other funds that it could borrow on an intrafund basis to cover delays it could experience with the annual sale of the short-term bonds.

The rating reflects our opinion of the district's:

- Employment access to the western Chicago metropolitan area,
- Good income and strong wealth,
- Very strong reserves due to a limiting tax increase, and
- Moderate per capita debt.

We believe what we consider the district's high carrying charges somewhat offset these strengths.

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. It has produced positive combined (general and recreation funds) operating results since fiscal 2010 to build fund balance aligned with the formal reserve policy. Fiscal 2015 resulted in surpluses of \$466,727 and \$83,492 in the general and recreation funds, respectively. Management attributes the fiscal 2015 operating surplus to conservative budgeting and the referendum increase to the limited-tax rate, which has provided additional general fund revenue. The combined surplus increased available reserves to 44.5% of expenditures in fiscal 2015, a level we consider very

strong, from 15.9% in fiscal 2014.

Management expects to end fiscal 2016 with a general fund surplus of \$604,000 and a recreation fund surplus of \$190,000. If current projections were to materialize, the combined fund balance would reach 87.9% of operating expenditures when using fiscal 2015 combined expenditures. Over the past few fiscal years, the district has eliminated routine transfers into the golf fund from operating funds; it expects the golf fund to have positive operations from now on.

The district maintains 16 parks and provides a variety of recreational programs to Sycamore and neighboring communities in DeKalb County. Sycamore is the county's seat, 58 miles west of downtown Chicago but only 15 miles west of the suburban communities along the Fox River. The estimate of total district residents is currently 17,544. Residents have access to a small local job base and additional employment opportunities in nearby DeKalb--home to Northern Illinois University--and the western and northwestern suburbs of Chicago. In our opinion, the district's 2015 median household effective buying income is good at 100% of the nation's level. After peaking at just more than \$1.5 billion in levy year 2010, taxable values have decreased, reflecting updated values in homes and commercial properties. As of levy year 2015, equalized assessed value decreased to \$368 million. The fair market value of the property tax base is \$1.1 billion, or \$62,899 per capita, which we consider strong.

In our opinion, debt is moderate at \$4,265 per capita, or 6.8% of market value. Debt service carrying charges in fiscal 2014 were high at 26% of total governmental fund expenditures less capital outlay, but this level is not unexpected due to the limited nature of the district's operations and its annual issuance and repayment of short-term bonds. Amortization of direct debt is rapid with officials planning to retire 100% within 10 years. Management indicates it could currently issue approximately \$9 million of bonds in fiscal 2017.

The district offers pension benefits to eligible employees through the Illinois Municipal Retirement Fund, a multiemployer pension plan. Although the district made its required contributions for the past three fiscal years, the unfunded actuarial accrued liability, as of the most recent Dec. 31, 2013, study, was roughly \$345,000, reflecting an 85% funded ratio. The district does not pay its retirees' health care insurance premiums.

## Outlook

The stable outlook reflects S&P Global Ratings' opinion that the district's reserves will likely remain very strong over the two-year outlook period due to an approved property tax increase and sustainable savings from previous-year budget adjustments.

### Upside scenario

We could raise the rating if wealth and income were to increase to levels we consider commensurate with the district's higher rated peers.

### Downside scenario

We could lower the rating if reserves were to deteriorate significantly to levels we no longer consider very strong.

## **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
- 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**

Credit FAQ: Financial Management Assessment In U.S. Public Finance, June 27, 2006

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://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](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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