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Ratings

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Summary:

DuPage County Forest Preserve District, Illinois; General Obligation

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Summary:

DupPage County Forest Preserve District, Illinois; General Obligation

Credit Profile		
US$34.48 mil GO ltd tax bnds ser 2022 due 11/01/2031		
Long Term Rating	AAA/Stable	New
Du Page Cnty Forest Pres Dist		
Long Term Rating	AAA/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'AAA' long-term rating to DuPage County Forest Preserve District (FPD), Ill.'s series 2022 general obligation (GO) limited-tax bonds. At the same time, we affirmed our 'AAA' rating on the district's GO debt outstanding. The outlook is stable.

The district's series 2022 and parity limited-tax bonds are direct GOs of the district, secured by an ad valorem property tax that is unlimited as to rate but limited as to amount by the district's debt service extension base (DSEB). The current DSEB is $19.3 million. Pursuant to the application of S&P Global Ratings' "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria (published Nov. 20, 2019, on RatingsDirect), we rate the limited-tax bonds at the same level as our view of the district's general creditworthiness because we do not consider there to be significant limitations on the fungibility of resources supporting debt service. Bond proceeds will be used to finance the construction of a new Willowbrook Wildlife Center, a new parking lot, facility renovations, future land acquisitions, and the purchase of fleet and capital equipment.

Credit overview

DuPage County Forest Preserve is an extremely strong and stable credit supported by very strong management. The district benefits from an extremely strong economic base coterminous with DuPage County and maintains very strong reserves, reflecting consistently positive operating results and a very strong revenue stream. The revenue profile is mostly property taxes, which we view as having low volatility, with little to no effect from the pandemic on collections. Budgetary flexibility is bolstered by substantial available reserves in its landfill funds. Also, the overall debt and contingent liability profile is favorable despite high carrying charges with low debt as a percentage of market value and a well-funded pension plan.

DuPage County FPD's bonds are eligible to be rated above the sovereign because we believe the district can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, U.S. state and local governments are considered to have moderate sensitivity to country risk. The district's local property tax revenues are the sole source of security on the bonds, and the institutional framework in the U.S. is predictable with state and local governments having significant autonomy, independent treasury management, and no history of federal government intervention. The district's financial flexibility is demonstrated by the very strong reserves and its primarily locally sourced revenues.

Other credit factors that support the rating include the district's:

- Participation in the broad and diverse Chicago metropolitan statistical area (MSA) with very strong incomes and extremely strong market values with a massive tax base coterminous with DuPage County;
- Very strong reserves when considering additional reserves in the landfill funds with stable revenue streams which were not materially affected by the pandemic; and
- Low-to-moderate overall debt burden with high carrying charges given the nature of the district.

Environmental, social, and governance

We have analyzed the district's environmental, social, and governance (ESG) risks and believe they all align with the sector standard. The district's mission is to preserve environmentally significant land for other conservation purposes. Additionally, it provides flood mitigation to nearby residential property.

Stable Outlook

Downside scenario

We could lower the rating should the district report a deterioration of operating results, leading to reserves that are no longer commensurate with those of peers at the current rating. However, in our view, the dwindling amount of land available for the district to acquire limits future expenditure growth, which helps provide budget stability over the long run and limits future debt needs. For these reasons, we do not expect to change the rating within the two-year outlook period.

Credit Opinion

Extremely strong economic base with full access to the Chicago MSA

DuPage County FPD encompasses all of DuPage County. The district's mission is to buy and preserve forests, wetlands, and other environmentally significant land, protect open space, provide recreation, and flood control, as well as conserve water resources. The district owns approximately nearly 26,000 acres in DuPage County, which accounts for about 12% of the county's total land area and owns as well as manages 60 forest preserves, 30 lakes, 166 miles of trails, and three golf courses. It operates several facilities, including the Willowbrook Wildlife Center, which cares for injured and orphaned wildlife so that they may be released into the forest preserves. The golf courses were designed to provide recreational activities and to mitigate flooding in the surrounding residential communities.

Equalized assessed values (EAV) have increased an average of about 4.7% since 2016. The increase follows a significant decrease in EAV following the Great Recession. However, these declines did not weaken the district's finances because the district is subject to the Property Tax Extension Limitation Law's (PTELL) levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction. In addition, it has room under its corporate rate cap (5.3 cents per $100 of EAV versus the six-cent cap) to tax up to its allowed PTELL levy limit if the tax base were to decline. Management expects the district's EAV to continue on its positive trajectory.

Very strong overall reserves bolstered by substantial available reserves in the landfill funds and positive operating results

For its general fund revenues, the district has historically relied almost entirely on property taxes, which made up about 87% of revenues for fiscal year-end 2020 (June 30).

Management strives to keep the general fund balance close to its reserve policy, which is 15% of expenditures, by using reserves to fund capital projects. For fiscal 2021, the district estimates a $2.8 million surplus after positive variances on the expenditure side of the budget. However, management indicates fiscal 2021 was an unusual year for various reasons and fiscal 2022 should be more status quo. The fiscal 2022 general fund budget is balanced and on target. We expect the district's overall reserves to remain very strong.

The three landfill funds reported a combined restricted fund balance of $226.7 million at the end of fiscal 2020. Management reports $51.7 million of the district's landfill funds' fund balance is available for general operations. The district usually transfers investment income from its three landfill funds to the general fund to enhance operational revenues.

The COVID-19 pandemic has little to no effect on the district's financial operations. Some programming and facilities were closed but commensurate expenditures were adjusted given the general flexibility.

Professional management with robust financial policies and practices

The district is governed by a seven-member board of commissioners, which is separate from the county's and is managed by an executive director and a finance director. Management reviews revenues and expenditures quarterly, as well as generates expense reports every two weeks. The district maintains financial projections for the five years beyond the current fiscal year and it annually updates a five-year capital plan for its facilities as well as land restoration projects. It has its own investment policy and most investments are managed by an outside portfolio manager that provides the district and the board with quarterly reports. The district issues debt according to its formal debt management policy. Its board-voted, fund balance policy calls for the unreserved general fund balance to equal at least 15% of the previous year's expenditures.

Debt burden remains low to moderate but carrying charges are high

After the issuance of the series 2022 bonds, the district will have $91.4 million of net direct debt outstanding. The debt metrics are heavily influenced by $2.3 billion of overlapping debt. Carrying charges are high; however, this is to be expected given the nature of the district and is offset by its rapid debt amortization, with all debt retired by 2031. The district has no short-term plans to issue additional debt.

Pension and other postemployment benefit (OPEB) obligations are manageable

Illinois Municipal Retirement Fund (IMRF), a multiple-employer, defined-benefit plan, to which the district pays its full annual required contribution annually, covers district employees. The district's IMRF account was nearly 100% funded at Dec. 31, 2020. It makes 100% of its annual required contribution. The district's minimum and static funding calculations were 155% and 186%, respectively, which are very strong metrics, in our view.

The district's OPEB benefits include an implicit subsidy for postemployment health insurance and dental benefits to retirees and their spouses. Its OPEB liability as of Dec. 31, 2020 is $1.4 million.

DuPage County Forest Preserve District, IL -- Key Credit Metrics

	Characterization	Most recent	Historical information		
			2020	2019	2018
Economic indicators					
Population		927,317	927,317	929,980	929,026
Median household EBI % of U.S.	Very strong		136	134	136
Per capita EBI % of U.S.	Very strong		132	130	133
Market value ($000)		130,886,769	124,380,234	119,877,057	114,743,931
Market value per capita ($)	Extremely strong	141,146	134,129	128,903	123,510
Top 10 taxpayers % of taxable value	Very diverse	1.8	1.9	1.7	1.7
Financial indicators					
Total available reserves ($000)			3,321	2,926	2,894
Available reserves % of operating expenditures	Strong		12.7	11.1	7.6
Total government cash % of governmental fund expenditures			405.4	422.4	202.5
Operating fund result % of expenditures			0.8	1.1	0.2
Debt and long-term liabilities					
Overall net debt % of market value	Low	1.8	1.9	2.0	2.2
Overall net debt per capita ($)	Moderate			2,599	2,702
Debt service % of governmental fund noncapital expenditures	High		27.8	34.7	40.2
Direct debt 10-year amortization (%)	Rapid	100	100	100	100
Required pension contribution % of governmental fund expenditures			4.4	4.0	2.2
OPEB actual contribution % of governmental fund expenditures			0.0	0.0	0.0
Minimum funding progress, largest pension plan (%)			154.6	90.1	88.3

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Credit FAQ: Financial Management Assessment In U.S. Public Finance, June 27, 2006
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of January 7, 2022)

DuPage Cnty Forest Pres Dist GO		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of January 7, 2022) (cont.)		
DuPage Cnty Forest Pres Dist GO		
Long Term Rating	AAA/Stable	Affirmed