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Ratings

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Summary:

Helen Plum Public Library District, Illinois; General Obligation

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Summary:

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Credit Profile		
US$14.27 mil GO bnds (alternate rev source) ser 2021 due 12/01/2036		
Long Term Rating	AA+/Stable	New

Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to Helen M. Plum Memorial Library District, Ill.'s approximately $14.3 million series 2021 general obligation (GO) alternate revenue source bonds. The outlook is stable.

The 2021 bonds are secured by the district's unlimited ad valorem property taxes. The district has also pledged other lawfully available revenue toward the bonds. We rate to the GO pledge because the bond provisions supporting the other pledges are insufficient to rate pursuant to our other criteria. The bond proceeds will partially pay for construction of a new library building.

Credit overview

The library district's very strong economy in the western suburbs of the Chicago metropolitan statistical area (MSA) and very strong financial profile are key credit strengths. In 2016, voters approved a referendum for a building and operating levy that does not sunset. Over the past few years, the district has had very strong operating results and transferred the money collected from this levy to its capital projects fund to pay for the new library. This levy is intended to cover the debt service on the bonds and pay for staffing and maintenance of the new facility. After a portion of the district's available cash is used on this project and the referendum levy is used on debt service costs, we expect the overall liquidity position and operating results will remain very strong. Debt service carrying charges on this debt will be high relative to the district's total governmental funds expenditures. However, we do not expect they will be a financial burden.

The rating reflects our opinion of the district's:

- Participation in the deep and diverse Chicago MSA economy, evidenced by strong resident income and wealth levels;
- Very strong available reserves, which we expect will remain stable; and very strong operating results, which we expect will moderate but remain very strong once debt service carrying charges come due; and
- Low debt burden with high carrying charges, slower-than-average amortization, and no additional debt plans.

Environmental, social, and governance (ESG) factors

We analyzed the district's ESG risks relative to its economy, financial profile, and debt and long-term liability profiles, and view them as consistent with those of the sector.

Stable Outlook

Downside scenario

We could consider a negative rating action if an operational imbalance develops or reserves are drawn below levels commensurate with the current rating.

Upside scenario

We could consider raising the rating if the district's incomes and wealth levels improved to levels commensurate with those of higher-rated peers and the district maintains a very strong financial profile once capital expenditures associated with the project are complete.

Credit Opinion

Very strong financial performance that we expect will moderate slightly

The district, which operates on a June 30 fiscal year-end, is subject to an operating levy cap equal to the lesser of 5% or the rate of inflation, not including new construction. Property taxes, which we consider a relatively stable revenue source, make up 97% of general fund revenue. The COVID-19 pandemic did result in the library shutting its doors for a couple of months. However, revenue and operating results were unaffected by this. For our latest views on the pandemic and economy see "Economic Outlook U.S. Q2 2021: Let The Good Times Roll," published March 24, 2021, on RatingsDirect.

General fund operating results have been very strong in recent years. Before transfers there were large surpluses stemming from a levy that voters approved in 2016. This levy does not sunset and is expected to be used for costs associated with the new library and affiliated debt service. This levy has been transferred to a capital project fund, which held $10 million at fiscal year-end 2020. In addition to transferring the new levy dollars, the district has also been transferring reserves exceeding 50% of expenditures to a special reserve fund to cover potential cost overruns and future maintenance needs.

The district's general fund balance has been stable in recent years and we expect it will remain so even after additional programming and staffing costs for the new facility and affiliated debt service costs. Supporting this view is a proactive board and a track record of received revenue that we believe will be sufficient to cover the additional costs. Financial projections for fiscal 2022 through 2025 indicate operating revenue will exceed expenses by at least $800,000, after factoring in debt service costs. Management states that once the new library is up and running, the board will evaluate the district's financial position and add programming and/or provide taxpayers relief. Financial projections indicate a larger transfer in 2021 stemming from the district transferring funds in excess of its 50% of expenditures reserve target. The available fund balance is expected to remain near 50% of expenditures. We expect the district's financial profile will remain very strong even after capital spending on the new building, new debt service expenditures, and additional operating costs.

Very strong local economy, situated in the Chicago MSA

The library district is in DuPage County and serves the village of Lombard, approximately 20 miles west of downtown

Chicago. Its equalized assessed value has increased by 27% since fiscal 2015 to $1.66 billion, largely as a result of appreciating properties along with some residential and commercial developments. The district's $5.1 billion market value includes $123 million of tax increment financing districts, one of which expires soon and will be added to the district's tax rolls for fiscal 2023 collections. We anticipate that the local economy will remain very strong and a key credit strength.

Low debt metrics with elevated carrying charges anticipated, although sufficient revenue to cover the carrying charges is already being received

The 2021 bonds are the only bonds the district has outstanding. The district has an overall net debt burden of $85.0 million, which includes $70.8 million in overlapping debt applicable to the district when alternate revenue bonds are included. The debt service carrying charges on the 2021 bonds are expected to be approximately $1.25 million per year and will account for approximately one-sixth of the district's total expenditures when the debt service carrying charges and additional operating costs are incorporated, or 17% of fiscal 2020 total governmental fund revenue, which we consider elevated. Debt amortization is slower than average, with 48% of debt retired over the next 10 years. The district has no privately placed debt or contingent liquidity pressures. We understand that management has no additional debt plans.

Adequately funded pensions with low annual costs

The district participates in the Illinois Municipal Retirement Fund (IMRF), making 100% of the actuarially determined contribution in fiscal 2020. IMRF, an agent multiple-employer, defined-benefit pension plan, covers eligible staff. The plan was 77% funded with a net pension liability of $785,000 at Dec. 31, 2019, the most recent valuation date. IMRF uses a 7.25% discount rate. Its contributions were 110% of our static funding metric, meaning contributions were adequate to cover the present value of current-year benefits and the interest on the unfunded liability; they were also 98% of our minimum funding progress metric. The IMRF discount rate is above our 6% guideline, which indicates additional market risk that could lead to contribution volatility.

The district does not offer any other postemployment benefits.

Helen Plum Library District, Illinois -- Financial And Operating Statistics

	Characterization	Most recent	Historical information		
			2020	2019	2018
Economic indicators					
Population			43,643	43,643	-
Median household EBI % of U.S.	Very strong		-	134	136
Per capita EBI % of U.S.	Strong		-	130	133
MV per capita ($)	Extremely strong	117,266	117,266	105,840	-
Top 10 taxpayers as % of AV	Very diverse		9.1	-	-
Financial indicators					
Total adjusted available fund balance ($000)			2,204	1,179	1,198
Total adjusted available fund balance as % of operating expenditures	Very strong		57.2	31.8	34.1
Governmental funds cash as % of governmental fund expenditures			430.9	334.8	263.2

Helen Plum Library District, Illinois -- Financial And Operating Statistics (cont.)					
	Characterization	**Most recent**	**Historical information**		
			2020	**2019**	**2018**
General fund operating result as % of general fund operating expenditures			24.86	1.62	6.60
FMA					
Debt and long-term liabilities					
Overall net debt as % of MV	Low	1.7	1.4	1.5	-
DS as % of governmental funds expenditures			0.0	0.0	0.0
Required pension contribution ($000)			192	179	179
OPEB contribution ($000)			-	-	-
Required pension plus OPEB contribution as % of governmental fund expenditures			4.8	4.4	4.6

EBI--Effective buying income. MV--Market value. AV--Assessed value. FMA--Financial Management Assessment. DS--Debt service. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
- 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
- Credit FAQ: Financial Management Assessment In U.S. Public Finance, June 27, 2006