STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:

Lake County Forest Preserve District, Illinois; General Obligation

Primary Credit Analyst:
John A Kenward, Chicago (1) 312-233-7003; john_kenward@standardandpoors.com

Secondary Contact:
Lin Johnson III, Chicago (1) 312-233-7029; lin_johnson_iii@standardandpoors.com

Table Of Contents

1072888 | 301372653

Summary:

Lake County Forest Preserve District, Illinois; General Obligation

Credit Profile		
US$24.995 mil GO land acquisition & dev bnds ser 2013 due 12/15/2033		
Long Term Rating	AAA/Stable	New
Lake Cnty Forest Pres Dist GO		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating and stable outlook to Lake County Forest Preserve District, Ill.'s series 2013 general obligation (GO) land acquisition and development bonds.

We also affirmed our 'AAA' long-term rating on the district's previously issued GO debt and our 'AA+' long-term rating on the district's previously issued debt certificates. The rating on the debt certificates is one notch lower than the GO rating to reflect the limited nature of the certificates' security. The district pays debt service on the certificates from available general funds. The outlook on all ratings is stable.

The ratings reflect our view of the district's:

- Participation in the Chicago metropolitan area's deep and diverse economy,
- Very strong income levels and extremely strong market value per capita,
- Very strong financial operations and reserves, and
- Low debt burden as a percentage of market value.

The series 2013 bonds are secured by revenue from the district's unlimited-tax GO pledge. In November 2008, Lake County residents approved a $185 million bond referendum for land acquisition purposes. The bonds represent the fifth issuance of that authorization, $25 million of which remains to be issued.

The district is coterminous with Lake County and was organized in 1958 to acquire and manage forested land, wetlands, prairies, and open space and provide countywide recreational facilities. The district's management of almost 30,000 acres of land, four golf courses, a museum, and several visitor centers is in line with its mission to preserve natural and cultural resources. Most of the district's activities involve land acquisition, habitat restoration, and improvement projects to promote public access to its facilities.

The 447-square-mile district serves a population of 703,462 (2010 Census) and is home to several of the wealthiest communities in the state. In our view, median household median effective buying income is very strong at 139% of the state's and 143% of the national level. Lake County unemployment rate, which tends to be below the state's rate, was 9.4% in 2011 compared with the state rate of 9.8%. The county's unemployment rate fell to 7.7% (not seasonally adjusted) in November 2012, below the state's 8.2%. Equalized assessed valuation (AV) fell 12% from its peak in 2008, to $26.7 billion in 2011. Estimated market value stands at $80.1 billion, which in our view is an extremely strong $113,920 per capita. The tax base is very diverse, with the 10 largest taxpayers accounting for only 2% of equalized AV.

Despite operating under the Property Tax extension Limitation Law (PTELL) levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction, the district's financial performance remains, in our view, strong. This is due, in large part, to conservative financial management. For the fiscal year ended June 30, 2012, the general fund posted a $2.7 million surplus, raising the unassigned general fund balance to $24.65 million, or, in our opinion, a very strong 132% of expenditures.

For fiscal 2013, management projects that the district will draw $6.5 million from reserves due to a $5.5 million transfer to the debt service fund to call the debt certificates in 2018 and $1 million of capital improvement spending.

The district levies close to its maximum corporate tax rate cap of six cents per $100 of equalized AV, so additional tax base declines may affect its ability to increase the operating levy to the maximum allowed under PTELL. In response, management has limited spending in recent years. Property and replacement taxes made up 86% of general fund revenue in fiscal 2012. Since the district only receives a small amount of general fund revenue from the state in the form of person property replacement taxes (4% of general fund revenue in fiscal 2012), it is not affected by the state's fiscal problems.

We consider the district's financial management practices "good" under our Financial Management Assessment methodology, indicating our view that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. The district prepares its budgets with the help of five-year financial projections that are updated quarterly. The district has a formal policy to maintain the general fund balance at or above 50% of expenditures.

The district's overall net debt levels are, in our view, low at 2.7% of market value but moderate at $3,100 per capita. The district has $25 million of unissued electorate-approved debt remaining that it expects to issue by the end of 2014. As with other Illinois forest preserve districts, its primary functions are land acquisition and preservation, and it has limited operating responsibilities. Consequently, debt service carrying charges are high, amounting to 56% of total governmental fund expenditures less capital outlays in fiscal 2012. Amortization is average, with 49% of debt scheduled to mature within 10 years and 94% within 20 years.

The district has $313.5 million of debt outstanding, including the series 2013 bonds. The district entered into three variable-to-fixed interest-rate swaps with JPMorgan Chase Bank in conjunction with its index floating series 2007A GO bonds, of which $46.3 million is outstanding. As a result of the swaps, we consider this debt to be a synthetic fixed-rate obligation. The counterparty has the option to terminate the swap if the rating on the district rating falls below the 'A' category, the possibility of which we consider remote. In our view, termination events that could trigger contingent liquidity risks are not within proximity and do not pose a meaningful credit risk at this time.

The district's employees are covered by the Illinois Municipal Retirement Fund, a multiple-employer defined-benefit pension system to which the district pays its full annual pension cost each year. The district does not subsidize retiree health care, but allows retirees to remain on its health insurance plan at their own expense, which gives rise to an implicit rate subsidy.

Outlook

The stable outlook reflects our anticipation that the district will maintain its strong financial performance and very strong reserves. It also reflects our view of the district's participation in the Chicago metropolitan area's diverse economy. We do not expect to change the rating within a two-year horizon because we believe the district's very strong reserves and conservative fiscal practices will allow it to manage its budget despite the district levying close to its operating rate limit.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

Ratings Detail (As Of February 5, 2013)		
Lake Cnty Forest Pres Dist GO debt certs		
Long Term Rating	AA+/Stable	Affirmed

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.