Oak Lawn Village, Illinois

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Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) to 'A+' from 'A' on **Oak Lawn Village**, Ill.'s general obligation (GO) debt outstanding based on the application of our `local GO criteria` released Sept. 12, 2013. The outlook is stable.

The rating reflects our assessment of the following factors for village:

- Adequate economy, with access to the broad and diversified Chicago economy;
- Strong budgetary flexibility;
- Weak budgetary performance, after adjustments;
- Very strong liquidity, which provides very strong cash levels to cover both debt service and expenditures;
- Adequate management conditions with "standard" financial management practices; and
- Very weak debt and contingent liabilities position.

Adequate economy

We consider Oak Lawn's economy to be adequate. Oak Lawn is located approximately 15 miles southwest of downtown Chicago and has an estimated population of 57,073 residents. Its projected per capita effective buying income is 96% of the U.S. average. Per capita market value for the village was $60,706 for fiscal 2013. Cook County's unemployment rate was 9.6% in 2013.

Strong budgetary flexibility

In our opinion, the village's budgetary flexibility is strong. After reporting a negative general fund balance of 4.3% in 2011, the village posted positive general fund balances of 5.3% and 14.3% in 2012 and 2013, respectively. For audited fiscal 2013 (Dec. 31), the village had $7.086 million in available fund balance. The village anticipates a similar level of available fund balance at the end of 2014.

Weak budgetary performance

The village's budgetary performance is weak, in our view. The municipality posted a 3.4% surplus in 2013, after adjustments, and reported a slight 0.5% surplus in total governmental funds, after adjustments. For fiscal year 2014, the village has budgeted for a break-even result in the general fund, however, it is currently performing better than budgeted. Management is further projecting a 7.7% deficit in total governmental funds in 2014.

Very strong liquidity

We consider the village's liquidity very strong, with total government available cash and cash equivalents at 29% of total governmental fund expenditures and more than 376% of debt service for fiscal 2013. We believe the village has strong access to external liquidity, as it has issued bonds regularly in previous years.

Adequate management conditions

We view the village's management conditions as adequate, with "standard" financial management practices under our Financial Management Assessment. Among other policies, the village provides monthly budget-to-actual reports to the village board. In addition, the village has a fund balance target of 10% of general fund expenditures.

Very weak debt and contingent liability profile

In our opinion, the village's debt and contingent liability profile is very weak, with total governmental fund debt service at 7.7% of total governmental fund expenditures, and with net direct debt at 153.5% of total governmental fund revenue. The village does not have any additional debt plans within the next two years. The village has an alternative financing arrangement with a local bank for $25 million for financing of a tax-increment financing project.

The village contributes to three defined-benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system, the Police Pension Plan; and the Firefighters' Pension Plan, the latter two of which are single-employer pensions. In 2013, the most recent audited year for the village's pension plans, the village contributed 91% of its annual pension cost (APC) to the IMRF, 31% of its APC for the Police Pension Plan, and 32% of its APC for the Firefighters' Pension Plan. The IMRF is 76% funded, the Police Pension Plan is 62% funded, and the Firefighters' Pension Plan is 63% funded.

Strong institutional framework

The Institutional Framework score for Illinois home rule villages is strong. See the Institutional Framework score for Illinois.

Outlook

The stable outlook on the rating reflects our expectation that the village will maintain very strong liquidity levels. We do not anticipate changing the rating within the two-year outlook horizon. Precluding a higher rating at this time is the village's very weak debt and contingent liability profile.