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Ratings

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Summary:

Tinley Park, Illinois; General Obligation

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Summary:

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Credit Profile		
US$8.585 mil GO bnds ser 2021A due 12/01/2035		
Long Term Rating	AA+/Stable	New
US$6.025 mil Taxable GO rfdg bnds ser 2021B due 12/01/2030		
Long Term Rating	AA+/Stable	New
Tinley Pk Vill GO		
Long Term Rating	AA+/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to the village of Tinley Park, Ill.'s $8.585 million series 2021A general obligation (GO) bonds and $6.025 million series 2021B GO refunding bonds. At the same time, we affirmed our 'AA+' long-term rating on the village's existing GO debt. The outlook is stable.

The village's unlimited ad valorem tax GO pledge secures the bonds. Officials intend to use the bond proceeds to finance various capital improvements throughout the village and advance refund the village's series 2013 GO bonds.

Credit overview

Tinley Park's corporate boundaries span Cook and Will counties, with access to the Chicago-Naperville-Elgin, Ill.-Ind.-Wis., metropolitan statistical area (MSA), which continues to see strong residential and commercial developments. Despite some minor furloughs and business closures, impacts from the COVID-19 pandemic have remained relatively modest on both the local economy and the village's finances. With multiple years of surplus operating results, the village has managed to accumulate very strong reserves, and latest estimates for the current fiscal year project this trend to continue. The village's debt profile remains very strong, due to low debt load and rapid amortization levels. For S&P Global Economics' latest U.S. economic forecast, see the report "Economic Outlook U.S. Q4 2021: The Rocket Is Leveling Off," published Sept. 23, 2021.

The rating reflects our assessment of the following credit factors:

- Adequate economy with relatively weak income and wealth levels offset by participation in the Chicago MSA's diverse economy;
- Significant budgetary flexibility and robust liquidity thanks to historically strong budgetary performance;
- Very strong management, with excellent financial policies and practices; and
- Very strong debt and contingent liability profile, with a lower debt burden and faster amortization than similarly rated municipalities.

Environmental, social, and governance

We have analyzed the village's social, environmental, and governance risks with regard to its economy, finances, and debt profile and believe that all are in line with sector peers.

Stable Outlook

Upside scenario

If the village's local economy were to continue improving, demonstrated by higher income and wealth levels, we could raise the rating.

Downside scenario

Although unlikely during the outlook period, if the village's financial performance were to worsen due to imbalance, resulting in declining reserves no longer comparable with those of similarly rated peers, we could lower the rating.

Credit Opinion

Adequate economy with relatively weak income and wealth levels offset by participation in the Chicago MSA's diverse economy

The village, with an estimated population of 57,645, is 30 miles southwest of downtown Chicago in Cook and Will counties. The local economy benefits from its location within the Chicago-Naperville-Elgin, Ill.-Ind.-Wis. MSA, which we consider to be broad and diverse. Tinley Park residents have access to downtown Chicago via the Metra commuter train.

The village's economy is primarily residential in nature, with residential properties constituting about 75% of total equalized assessed value (EAV), followed by commercial properties at 20% and industrial land at 4.6%. As a result, there is no significant taxpayer concentration, with the top 10 taxpayers accounting for only 5.5% of total EAV.

The village's tax base has demonstrated strong growth in recent years, with EAV rising 22.7% from 2018 to 2022. Management reports no losses of significant employers or taxpayers due to the COVID-19 pandemic, although temporary business closures reduced sales, food and beverage, and hotel/motel tax revenue in fiscals 2020 and 2021. As a home-rule community, Tinley Park's property tax levy is uncapped, and the village has a wide variety of revenue sources available to it. Property taxes accounted for 35% of general fund revenues in fiscal 2021 (April 30), while sales, income, and other taxes amounted to 41%. The village has the power to levy home-rule sales, utility, and telecommunications taxes and has only levied a nominal 0.75% on sales tax and 1% on telecommunication tax. Management states that a significant amount of revenue could be generated if the village were to impose or increase the tax levies.

Cook County's unemployment rate was elevated for 2020 at 11.1%, due to impacts of the pandemic. We expect this to be temporary and note that the county's unemployment rate has been below 10% each month of 2021 through September, with the exception of June.

Consistently strong budgetary performance, which has led to significant flexibility and healthy liquidity

At fiscal year-end 2021 (April 30), the village had a $2.4 million surplus (or 4% of operations) in its general fund, after adjusting for recurring transfers and excluding about $1.1 million one-time revenue associated with the rental of the village's convention center to Cook County for their COVID-19 vaccination center. The surplus was driven by conservative budgeting and proactive expense cuts. Total governmental funds (TGF) ended fiscal 2021 with a surplus of $10.7 million, or 18% of TGF expenditures. The village received $720,994 in Coronavirus Aid, Relief, and Economic Security Act funds, which is fully realized in fiscal 2021. The village is also allocated $6.3 million in American Rescue Plan Act funds, and plans to use it to fund infrastructure improvement needs. Some Federal Emergency Management Agency reimbursement grant funds are pending, but are expected to also be received in fiscal 2022.

The village's operating revenue mix has some diversity, with municipal occupation taxes accounting for 39% of fiscal 2021 general fund revenue, followed by 35% in property taxes, and 13% in intergovernmental revenues. As a home-rule municipality, the village has a significant degree of revenue-raising flexibility. Consistent levy increases and strong growth in EAV have been primary factors in supporting the village's strong operating results.

Management budgets for balanced operations in the general fund but a $33.7 million deficit in TGF because of $47 million in one-time budgeted capital outlay. Year-to-date results reflect a small surplus of about $524,000 in the general fund. Given the historical positive operations and the year-to-date results, we expect the village's budgetary performance will remain at least strong in the near term.

The village's consistent positive operations have translated into very strong reserves. Our analysis considers the village's assigned and unassigned fund balances as available to the general fund. We understand that about $58.2 million of capital improvement fund balance can be applied to general fund expenditures if needed. However, management indicates the village plans to draw down about $41 million of capital improvement reserves for one-time capital outlay; hence we did not consider capital improvement funds in available fund balance. At the end of fiscal 2021, the village reported $38.5 million, or 65.3% of general fund expenditures. We consider the reserve level very strong and expect it will remain at this level.

With over $140 million in total cash across all funds, the village's liquidity very strong, in our view, and we expect it will remain so. We believe the village's track record of accessing the capital markets through debt financings during the last 10 years demonstrates its strong access to external liquidity, if needed.

Very strong debt and contingent liability profile, with lower debt metrics and rapid amortization

In our view, Tinley Park's debt and contingent liability profile is very strong. TGF debt service is 2.7% of TGF expenditures, and net direct debt is 25.0% of TGF revenue. Overall net debt is low at 2.9% of market value, and approximately 80.1% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

We consider the village's debt profile very strong, with TGF debt service at 2.7% of TGF expenditure. Net direct debt, after the issuance of series 2021, is at 25% of TGF revenues. The debt profile is further strengthened by the rapid amortization, with 80% of total direct debt being retired in next 10 years and overall net debt being less than 3% of market value.

Tinley Park has about $18.2 million in total direct GO debt. We have adjusted $0.73 million of this debt from net direct debt because it is supported by enterprise funds. There is no variable-rate debt or direct placement debt outstanding. We understand the village has no additional debt plans at this time.

Tinley Park's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 10.2% of TGF expenditures in 2021. Of that amount, 9.1% represented required contributions to pension obligations, and 1.1% represented OPEB payments. The village made its full required pension contribution in 2021.

The village participates in two defined benefit pension plans:

- Single-employer police pension plan: 85% funded (as of April 30, 2021), with net pension liabilities of $16.7 million.
- Illinois Municipal Retirement Fund (IMRF, a multiple-employer agent plan): 91.8% funded (as of Dec. 31, 2020), with a net pension liability of $7.3 million.

Tinley Park's pension contributions totaled 9.1% of TGF expenditures in fiscal 2021. The village made 100% of its annual required pension contribution in fiscal 2021. Total contributions to police pension plan were 111.4% of our minimum funding progress calculation and 152.3% of our static funding calculation. Total contributions to IMRF were 119% of our minimum funding progress calculation and 140.7% of our static funding calculation. Annual contributions are actuarially determined for both plans. Other key risks include a 7% investment-rate-of-return assumption for the police pension plan and a 7.25% investment rate of return assumption for IMRF that indicates some cost acceleration exposure due to market volatility. However, we do not think pension liabilities represent a medium-term credit pressure because contributions account for a manageable share of the budget, and we believe the village has the capacity to absorb higher costs without pressuring operations.

Although the village funds OPEB on a pay-as-you-go basis, exposing it to cost acceleration and volatility, we expect medium-term OPEB costs will likely remain only a small share of total spending; therefore, we do not expect they will cause significant budgetary pressure. The health care plan is 0% funded with a total OPEB liability of $33.8 million.

Very strong management, with excellent financial policies and practices

The village uses historical data and available outside sources of information when preparing budgetary forecasts. Budget-to-actual reports are shared with the board monthly, and amendments can be made to the budget twice monthly if required although the village hasn't needed to do so in the last few years. Highlights of management's policies include a formal fund balance policy of keeping three months (or 25%) of cash in the general fund; a board-approved debt management policy; a board-approved investment policy; a capital maintenance and improvement list with the associated costs and revenues; and financial projections for the budgeted year and four future years, updated annually as part of the budget preparation process. The village budgets its capital spending with a capital improvement plan that extends five years beyond the current fiscal year.

Strong institutional framework

The institutional framework score for Illinois home-rule cities and villages is strong.

Tinley Park, Illinois--Key Credit Metrics				
	Most recent	**Historical information**		
		2021	**2020**	**2019**
Adequate economy				
Projected per capita EBI % of U.S.	107			
Market value per capita ($)	85,391			
Population			57,645	57,888
County unemployment rate(%)			10.9	
Market value ($000)	4,922,352	4,544,400	4,554,218	
Ten largest taxpayers % of taxable value	5.5			
Strong budgetary performance				
Operating fund result % of expenditures		4.0	1.2	9.4
Total governmental fund result % of expenditures		18.0	1.6	11.2
Very strong budgetary flexibility				
Available reserves % of operating expenditures		65.3	58.4	63.2
Total available reserves ($000)		38,516	34,673	33,959
Very strong liquidity				
Total government cash % of governmental fund expenditures		240	204	215
Total government cash % of governmental fund debt service		8989	6525	6560
Very strong management				
Financial Management Assessment	Strong			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		2.7	3.1	3.3
Net direct debt % of governmental fund revenue	25			
Overall net debt % of market value	2.9			
Direct debt 10-year amortization (%)	80			
Required pension contribution % of governmental fund expenditures		9.1		
OPEB actual contribution % of governmental fund expenditures		1.1		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
- 2021 Update Of Institutional Framework For U.S. Local Governments

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 for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.