

RatingsDirect®

Summary:

River Grove, Illinois; General Obligation

Primary Credit Analyst:

Helen Samuelson, Chicago + 1 (312) 233 7011; helen.samuelson@spglobal.com

Secondary Contact:

Coral Schoonejans, Englewood + 1 (303) 721-4948; coral.schoonejans@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Credit Opinion

Related Research

Summary:

River Grove, Illinois; General Obligation

Credit Profile		
River Grove Vill taxable GO (BAM) <i>Unenhanced Rating</i>	A+(SPUR)/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its rating to 'A+' from 'BBB+' on River Grove, Ill.'s outstanding general obligation (GO) bonds.
- The outlook is stable.
- The upgrade reflects our view of the village's stronger reserve position due to its conservative budget practices which have yielded a track record of positive results, indicating to us that a structural imbalance would not recur. The sustained balanced operations and stronger reserves prompted removal of the management cap, allowing the rating to improve by 3 notches.

Security

The village's unlimited ad valorem tax GO pledge secures the bonds. Officials have no plans to issue additional debt in the near term.

Credit overview

We'd previously applied a 'BBB+' rating cap under our criteria and related to its previously structurally imbalanced operations. The raised rating reflects our view of the village's history of stronger budget controls, multiple years of positive financial results through audited fiscal 2021 and we expect, based on stronger than expected revenue performance, that fiscal 2022 and 2023 are likely also to show positive budgetary performance. We anticipate officials can sustain a trend of very strong reserve levels while incorporating growing pension contributions and planned pay-as-you-go capital spending into its budget, while other credit characteristics remain unchanged or improve.

River Grove is a mature community in Chicago's near-western suburbs. Its tax base is mature overall, showing its largest gains during triennial revaluations. The village relies primarily on property taxes to fund operations and has in recent years reported general fund surpluses, replenishing reserves and liquidity to very strong levels.

However, we believe challenges remain for the village due to its large pension burden and manageable, but rising, personnel costs against the backdrop of potentially slower revenue growth.

While the fiscal 2022 audit is not yet available, officials estimate a roughly \$2.6 million general fund surplus. This is followed by at least breakeven results expected in fiscal 2023. Officials plan to adopt a structurally balanced budget for fiscal 2024. In the near- to medium-term, its budget may incorporate increased capital spending, which could be funded at least in part by general fund reserves. However, officials are committed to maintaining reserves at least in line with their formal fund balance policy.

The rating further reflects our view of the village's:

- Stable local economy, with the largest tax base gains in years of the triennial reassessment;
- Very strong liquidity and general fund reserves, which we expect will remain at, or higher than, its 20% fund balance policy;
- Standard financial management assessment, supported by sound budget practices. The institutional framework score for home-rule communities in Illinois is strong; and
- Large debt burden with no additional debt plans at this time, and large pension and other postemployment benefits (OPEB) liabilities.

Environmental, social, and governance

We view River Grove's environmental, social, and governance (ESG) factors as neutral within our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the village will continue demonstrating a consistent trend of balanced financial operations and very strong reserves while absorbing pay as you go capital spending.

Downside scenario

We could lower the rating if a budgetary imbalance were to develop or if reserves materially diminish without a plan to promptly replenish them.

Upside scenario

We could raise the rating if the village's economic measures and pension funding levels improve, all other credit factors remaining stable.

Credit Opinion

Stable and mature local economy

Our view of the village's economy improved to adequate from weak based on an improvement in Cook County's unemployment rate, which was above 10% in 2020. River Grove is a mature community located in Cook County, approximately 12 miles west of downtown Chicago and approximately 4 miles from O'Hare Airport. The village encompasses approximately 2.5 square miles. Leading employers include Triton College (1,500 employees), Gottlieb Memorial Hospital (1,400), Fresenius Kabi USA (pharmaceuticals, 900), and The Hill Group (plumbing, heating, air conditioning; 837).

As a mature community, most of the village's tax base growth is realized at triennial property revaluations. However, officials cite several infill residential developments. In addition, officials actively work to fill vacancies in existing commercial properties and anticipate additional growth in a new tax increment district.

Positive financial results support very strong reserves

River Grove's budgetary performance has benefitted from management's conservative budget assumptions, which have allowed it to build general fund reserves (adjusted for minor interfund loans) to very strong levels. However, in our view, the village's budget challenges remain in the areas of funding growing pension contributions, moderately rising salaries, and funding capital spending. Surpluses in fiscal 2021 and are expected for fiscals 2022-2023, which we believe will maintain reserves well above the village's formal 20% fund balance policy. We note officials would prefer to maintain reserves of at least 40-50%. For fiscal 2024, officials plan at least breakeven general fund performance before they will direct spending to capital projects. We expect officials to maintain reserves at least in keeping with the formal policy, despite increased planned capital spending.

Adequate management with a standard financial management assessment

The village uses a line-item budget and five years of historic data as well as information from outside sources as the basis for its budget assumptions. Management recently started providing the village board with monthly budget-to-actual reports that include comparisons to the prior fiscal year. The village has a formal fund balance policy of 20% to provide a contingency against unexpected fluctuations and still meet three to four months of operating expenses. The village does not currently produce long-term financial projections, a formal capital improvement plan, investment reports beyond what is in the audit, nor does it have a debt management policy.

The village's practices governing cyber security--including its ability to protect potentially at-risk assets and data, and its ability to respond to a cyber-attack--align with those of its peers.

Large but manageable debt burden with no additional debt plans

River Grove has approximately \$19 million in outstanding GO debt. Officials plan to fund near-term capital projects on a pay-as-you-go basis and do not have any definitive debt issuance plans at this time.

Pension and other postemployment benefits liabilities

In our opinion, a credit weakness is River Grove's large unfunded police pension obligation and its lack of a plan to sufficiently address the obligation in the near term. Although the village funds its obligations to the actuarial recommendations, which are more stringent than statutory requirements, some of the assumptions used for the police plan defer costs and funding progress.

River Grove contributes to the following plans:

- The police pension plan: a single-employer plan that was 45.3% funded as of Dec. 31, 2021, with a net pension liability of \$17 million (calculated using a 6.5% discount rate);
- The Illinois Municipal Retirement Fund: an agent plan that is 109% funded (Dec. 31, 2021), with a net pension asset of \$1.2 million; and
- A single-employer health care plan that retirees can remain on at their own cost, resulting in an implicit rate subsidy equal to \$4.2 million (Dec. 31, 2021) using a 2.25% discount rate.

Contributions to the poorly funded police plan were 87% of our minimum funding progress metric in 2021. For more information regarding our views on the plan's assumptions and methodologies, see "Pension Brief: Single-Employer Pension Plans Are Straining Illinois Municipalities' Credit Quality," published July 27, 2021, on RatingsDirect.

River Grove, Illinois--Key credit metrics

	Most recent	Historical information		
		2021	2020	2019
Adequate economy				
Projected per capita EBI % of U.S.	89			
Market value per capita (\$)	66,464			
Population	10,352	10,357		
County unemployment rate(%)	5.0			
Market value (\$000)	693,681	694,944	586,137	
Ten largest taxpayers % of taxable value	8.6			
Strong budgetary performance				
Operating fund result % of expenditures	10.6	9.7	7.3	
Total governmental fund result % of expenditures	8.7	12.1	0.1	
Very strong budgetary flexibility				
Available reserves % of operating expenditures	51.0	45.0	36.1	
Total available reserves (\$000)	6,851	5,675	4,451	
Very strong liquidity				
Total government cash % of governmental fund expenditures	39	50	40	
Total government cash % of governmental fund debt service	464	516	274	
Adequate management				
Financial Management Assessment	Standard			
Very weak debt & long-term liabilities				
Debt service % of governmental fund expenditures	8.5	9.8	14.6	
Net direct debt % of governmental fund revenue	100			
Overall net debt % of market value	5.5			
Direct debt 10-year amortization (%)	69			
Required pension contribution % of governmental fund expenditures	10.0			
OPEB actual contribution % of governmental fund expenditures	0.1			
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 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2022 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of November 21, 2023)

River Grove Vill GO (BAM)	A+(SPUR)/Stable	Upgraded
<i>Unenhanced Rating</i>		

Ratings Detail (As Of November 21, 2023) (cont.)

River Grove Vill GO (BAM)

Unenhanced Rating

A+(SPUR)/Stable

Upgraded

River Grove Vill GO (BAM)

Unenhanced Rating

A+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

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.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.