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Ratings

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## Summary:

# Orland Park, Illinois; General Obligation

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## Table Of Contents

Credit Highlights

Outlook

Related Research

**Summary:**

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| Credit Profile | | |
|---|---|---|
| US$11.775 mil GO bnds ser 2023 due 12/01/2048 | | |
| *Long Term Rating* | AA+/Stable | New |
| Orland Pk Vill GO | | |
| *Long Term Rating* | AA+/Stable | Affirmed |

## Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to Orland Park, Ill.'s anticipated $11.775 million series 2023 general obligation (GO) bonds.
- At the same time, we affirmed our 'AA+' long-term rating on the village's existing GO bonds.
- The outlook is stable.

### Security

The GO bonds are secured by the village's full faith and credit unlimited tax GO pledge. The series 2023 bond proceeds will finance various capital improvements throughout the village. Village officials expect to issue about $39 million of additional debt in the next couple of years, a portion of which is expected to be self-supported by water and sewer revenues.

### Credit overview

Orland Park is a village with a significant retail presence situated in the southwest Cook County suburbs. Maintaining a healthy economic base is a key long-term goal, and officials have been working on a variety of economic development projects throughout the village. In order to continue development in and around the Main Street Triangle TIF (Tax Increment Financing) District that was created in 2004, the village is amending the TIF district's existing boundary and designating a new TIF district on some of the parcels currently in the TIF district. In addition, management anticipates continued momentum on residential and commercial developments for the next couple of years.

Orland Park is a home rule unit of government that is empowered to adjust tax revenue and issue debt without voter referendum. Officials recently adopted structural expenditure reductions that benefitted both the 2020 and the 2021 operations. The village posted a $7.1 million operating surplus in fiscal 2021, mainly attributable to increased sales tax and income tax revenues as well as lower overall expenditures. Its general fund relies mainly on state-shared sales taxes (44% of its total revenues in fiscal 2021) and property tax revenue (19% of total revenue). To support the village's continued development, officials have planned for significant capital investments to be funded with reserve drawdowns and additional debt in the next few years. For fiscal 2022, officials project a modest general fund deficit of $5 million (after $14.3 million in net transfers out to support capital projects and term loan debt service) and a $10.3 million surplus across total governmental funds, due to higher-than-budgeted sales tax and income tax revenues. The fiscal 2023 budget contains a $12.8 million use of general fund reserves after transfers. However, officials continue to project better-than-budgeted results of a $4.5 million deficit in the general fund and a $5.9 million deficit across total governmental funds. Despite the planned reserve use in 2022 and 2023, management currently projects reserves to be 37.8% of total expenditures at fiscal year-end 2023. We anticipate that the village's budgetary flexibility will remain very strong and above its 20% policy target.

Although the village's debt burden does not materially change with this issuance, overall debt amortization is slower, and thus our view of the village's debt and contingent liability corresponds with a weak debt profile. We understand that the village has significant debt plans during 2024 and 2025, but we don't expect its debt profile will materially weaken with the anticipated issuances. The village also has series 2017 and 2019 term loans and series 2022 bonds that were privately placed. We've reviewed the related debt agreements, and don't believe the series 2022 bond agreement contains permissive provisions that would trigger contingent liquidity risks. Although the series 2017 and 2019 term loan agreements contain acceleration provisions upon an event of default, we believe any potential contingent liquidity risk associated with the $2.5 million outstanding term loan is sufficiently covered by the village's $74 million cash position.

The rating reflects our view of the village's:

- Stable and largely residential local economy participating in the broad and diverse Chicago metropolitan statistical area, which is built out and sees its largest gains in equalized assessed value and market value during triennial revaluations;
- Historically positive financial operations supporting healthy budgetary flexibility, although a material reserve drawdown has been planned for capital projects, which will result in operating deficits in the next few years;
- Very strong management under our Financial Management Assessment methodology, including monthly budget-to-actual and investment holdings reports to the village board, a comprehensive five-year financial and capital plan that is updated annually, a formal investment policy, a formal debt policy, and a formal reserve policy of maintaining 20% of general fund expenditures with a goal of 25% for cash flow and emergency contingencies, and, as a home rule community, support from a strong institutional framework score; and
- Weak debt and contingent liability profile, characterized by a manageable debt burden with material additional debt plans and a slower-than-average amortization schedule, a large but still manageable pension liability, and management's plan to fund the police pension plan to 100% by 2038.

### Environmental, social, and governance

The rating incorporates our view of the village's environmental, social, and governance risks relative to its economy, management, financial measures, and debt and liability profile, which we view as neutral in our credit rating analysis.

## Outlook

The two-year stable outlook reflects our expectation that despite the planned reserve drawdown, the village will sustain a very strong fund balance that will remain above its 20% policy target ratio, and the operating deficits will not exceed what has been anticipated for the next couple of years, supported by the village's robust financial management policies and practices.

### Downside scenario

We could lower the rating if the village's structural budgetary performance were to weaken beyond what has been planned in the next couple of years and its reserves were to fall below the 20% target ratio.

### Upside scenario

Although unlikely given the village's significant planned reserve spending, we could raise the rating if the village's economic metrics improved to levels comparable with those of its higher-rated peers, its debt levels moderated, and available reserves rebounded and were maintained at levels commensurate with a higher rating.

**Orland Park, Illinois--key credit metrics**

| | Most recent | Historical information | | |
|---|---|---|---|---|
| | | 2021 | 2020 | 2019 |
| **Very strong economy** | | | | |
| Projected per capita EBI % of U.S. | 129 | | | |
| Market value per capita ($) | 117,539 | | | |
| Population | 59,464 | 58,879 | 59,352 | 59,900 |
| County unemployment rate(%) | 5.0 | | | |
| Market value ($000) | 6,989,340 | 7,636,002 | 6,831,675 | 6,842,568 |
| Ten largest taxpayers % of taxable value | 9.7 | | | |
| **Adequate budgetary performance** | | | | |
| Operating fund result % of expenditures | | 13.6 | 9.4 | 7.0 |
| Total governmental fund result % of expenditures | | 6.6 | 7.8 | 6.4 |
| **Very strong budgetary flexibility** | | | | |
| Available reserves % of operating expenditures | | 58.1 | 49.8 | 41.1 |
| Total available reserves ($000) | | 30,308 | 22,898 | 18,665 |
| **Very strong liquidity** | | | | |
| Total government cash % of governmental fund expenditures | | 94 | 115 | 91 |
| Total government cash % of governmental fund debt service | | 2,258 | 1,111 | 788 |
| **Very strong management** | | | | |
| Financial Management Assessment | Strong | | | |
| **Weak debt & long-term liabilities** | | | | |
| Debt service % of governmental fund expenditures | | 4.2 | 10.3 | 11.5 |
| Net direct debt % of governmental fund revenue | 93 | | | |
| Overall net debt % of market value | 2.8 | | | |
| Direct debt 10-year amortization (%) | 30 | | | |
| Required pension contribution % of governmental fund expenditures | | 8.2 | | |
| OPEB actual contribution % of governmental fund expenditures | | 0.0 | | |
| **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 October 5, 2023) | | |
|---|---|---|
| Orland Pk Vill GO bnds ser 2022A due 12/01/2047 | | |
| *Long Term Rating* | AA+/Stable | Affirmed |
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