River Forest
Public Schools

7776 Lake Street
River Forest, Illinois 60305
708-771-8282

CONTACT
Dawne Simmons, Communications Coordinator
708-366-7340 x8028, simmonsd@district90.org
Dr. Ed Condon, Superintendent
708-771-8282

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Moody's Investor Services Upgrades District 90's Bond Rating

River Forest, IL – District 90 has received an upgraded and improved bond rating from Moody's Investor Services. The rating for the District's general obligation limited tax debt (GOLT) has been upgraded from Aa2 to Aa1. The revised Aa1 rating reflects Moody's opinion that obligations are "of high quality and subject to very low credit risk."

The strong credit rating is the result of several factors including the District's:

- Strong financial operations and reserves that are based on robust fund balances and liquidity with little exposure to Illinois' pension funding challenges
- Limited debt and pension burdens with no plans for future debt obligations
- Forward looking financial planning combined with a moderate institutional framework
- Location in River Forest, IL, which is an affluent Chicago-area suburb with a tax base that is recovering from the 2008-09 economic downturn.

Along with the above factors, Moody's also took into account the District's strong cash position. According to Moody's *Credit Opinion* of July 2017, "At the close of fiscal 2016, the district's net cash position across all operating funds was $36.9 million, or a very healthy 124% of operating revenue."

"The District is gratified to receive this upgraded high quality bond rating from Moody's Investors Services. The rating reaffirms District 90's efforts to develop and implement sound fiscal policies and practices," said Dr. Ed Condon, Superintendent. "The rating also illustrates that our business operations continue to be efficient and effective as well represents the District's ongoing effort to be a responsible steward of the public's resources. "

Credit ratings are forward-looking opinions about credit risk and express Moody's opinion about the ability and willingness of District 90 to meet its financial obligations.

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MOODY'S INVESTORS SERVICE

CREDIT OPINION
24 July 2017

Update

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Contacts

Michael Armstrong +1 (312) 706-9975
Associate Analyst
michael.armstrong@moodys.com

Matthew Butler 312-706-9970
VP-Senior Analyst
matthew.butler@moodys.com

Cook County S.D. 90 (River Forest), IL

Update - Moody's upgrades Cook County S.D. 90 (River Forest), IL's GO to Aa1

Summary Rating Rationale

Moody's Investors Service upgraded the rating on Cook County School District 90 (River Forest), IL's general obligation limited tax debt (GOLT) to Aa1 from Aa2. The district had $9.3 million in rated GOLT debt as of June 30, 2016.

The upgrade to Aa1 is driven by the district's very strong financial position and recent trend of surplus operations. Also considered are very high resident income and wealth, and a low debt burden. The rating also incorporates the district's exposure to the State of Illinois (Baa3 negative), which predominantly consist of state responsibility for funding teacher pensions. Non-pension state aid comprises a very small portion of the district's annual budget.

The GOLT rating is the same as our internal assessment of the district's hypothetical general obligation unlimited tax (GOULT) rating. Payment of GOLT debt service is a first budget obligation made from all available funds. It is also supported by a dedicated levy unlimited in rate but limited in value to that of the district's debt service extension base.

Credit Strengths

» Very strong resident income and wealth

» Substantial fund balance and liquidity

» Low debt burden and rapid repayment of outstanding bonds

Credit Challenges

» Substantial postrecession tax base declines

» Pension burden could rise if the State of Illinois shifts greater funding responsibility to school districts

Rating Outlook

Outlooks are typically not assigned to issuers with this amount of debt.

Factors that Could Lead to an Upgrade

» Significant expansion of the district's tax base

» Improved status of teachers' pension plan that reduces risk of a shifting cost burden

Factors that Could Lead to a Downgrade

» Significant depreciation of the district's tax base or declines in resident wealth and income

» Substantial narrowing of fund balance and liquidity

» Material growth in the district's debt burden

Key Indicators

Exhibit 1

Cook County S.D. 90 (River Forest), IL	2012	2013	2014	2015	2016
Economy/Tax Base					
Total Full Value ($000)	$ 1,721,034	$ 1,589,943	$ 1,481,040	$ 1,466,639	$ 1,412,458
Full Value Per Capita	$ 154,021	$ 142,175	$ 132,106	$ 130,565	$ 126,428
Median Family Income (% of US Median)	252.0%	244.1%	222.9%	225.5%	225.5%
Finances					
Operating Revenue ($000)	$ 26,436	$ 26,003	$ 27,828	$ 28,795	$ 29,659
Fund Balance as a % of Revenues	94.8%	96.3%	96.2%	95.0%	123.1%
Cash Balance as a % of Revenues	93.1%	96.9%	98.4%	96.4%	124.3%
Debt/Pensions					
Net Direct Debt ($000)	$ 4,427	$ 3,258	$ 2,173	$ 1,089	$ 9,373
Net Direct Debt / Operating Revenues (x)	0.2x	0.1x	0.1x	0.0x	0.3x
Net Direct Debt / Full Value (%)	0.3%	0.2%	0.1%	0.1%	0.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.2x	0.2x	0.2x	0.3x	0.2x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.3%	0.4%	0.5%	0.5%	0.5%

Note: Cook County S.D. 90's full value grew to $1.47 billion in 2017, according to a 13 June 2017 report released by the Cook County Clerk.
Source: Cook County S.D. 90 Audited Financial Statements, US Census Bureau, Moody's Investors Service

Detailed Rating Consideration

Economy and Tax Base: Affluent Chicago suburb with recovering tax base

The district's tax base may begin to recover heavy losses incurred after the 2007-09 recession, supported by its affluent residential nature. Full valuation peaked at $2.1 billion in fiscal 2011 before dropping nearly 33% through fiscal 2016. Recently released figures from the county indicate the district's full value grew a modest 3% in 2017 to $1.47 billion. Median family income in the district is a high 226% of the national median and full value per capita is a healthy $126,000, despite the multi-year trend of tax base value loss. We do not expect much growth in the district's population given its mature and very affluent nature. Median age in the district is 42, up from 40 in the 2000 US Census.

Financial Operations and Reserves: Very strong fund balance and liquidity; little exposure to Illinois outside pension funding

We expect the district's financial position to remain healthy. The district posted operating surpluses in seven out of its last nine years, nearly quintupling its operating fund balance from $7.5 million to $36.5 million since fiscal 2008. The district's operating fund balance, inclusive of the general (educational and working cash), operations and maintenance, transportation, municipal retirement/social security, and debt service funds, equates to a strong 123% of operating revenue.

The district's financial results in fiscal 2016 showed expenditures in excess of revenue by $315,000. The deficit was driven by greater than expected costs associated with special education and related transportation costs. Fund balance and cash grew substantially in fiscal 2016 with the issuance of $9.3 million in working cash bonds. Illinois school districts can issue such bonds to bolster their financial positions. By issuing the bonds, the district also maintained its levy against its debt service extension base (DSEB). Without the bonds, the district would not be able to levy against the DSEB.

The district expects to add up to $300,000 to fund balance in fiscal 2018. The current year budget also incorporates modest cost growth associated with the state shifting some pension expenses to school districts, which we discuss in more detail below.

The state's fiscal 2018 budget ties school funding to the state's adoption of an "evidence-based funding" model. Until such a bill is enacted, school districts will not receive revenue appropriated in the new state budget. Districts normally receive their first state aid payment in August. Cook County S.D. 90 will only be minimally challenged by delays or potential cuts to state aid, as non-pension state aid comprises only 5% of the district's operating revenue. Property taxes comprise 69% of revenue.

LIQUIDITY

At the close of fiscal 2016, the district's net cash position across all operating funds was $36.9 million, or a very healthy 124% of operating revenue.

Debt and Pensions: Limited debt and pension burdens with no future debt plans

We expect the district's debt burden to remain limited due to a lack of future borrowing plans and rapid principal amortization. The district's comprehensive facilities plan does not cite any major capital needs through 2022, and identifies approximately $2.2 million in capital spending during that time period. The district's debt burden as of June 30, 2016 was $9.3 million, or a limited 0.3x operating revenue and 0.7% of full value. Fixed costs, consisting of debt service and retirement plan contributions, were a modest 6% of operating revenue.

The Moody's three-year average adjusted net pension liability (ANPL) for the district, our measure of a local government's pension burden, of $6.6 million is low. The ANPL reflects the state assuming primary responsibility to fund teacher pensions. After on-behalf pension payments from the state, the district contributed a modest $322,000 towards the Teachers Retirement System (TRS) and Illinois Municipal Retirement Fund (IMRF) in fiscal 2016.

DEBT STRUCTURE

All debt of the district is fixed rate and all outstanding principal is scheduled to be retired by 2024.

DEBT-RELATED DERIVATIVES

The district is not a party to any derivative agreements.

PENSIONS AND OPEB

The state has primary responsibility for funding teacher pensions through payments made on behalf of school districts. District teachers participate in TRS, a multi-employer defined benefit pension plan, and non-teaching district employees participate in IMRF, an agent multi-employer plan. The state's fiscal 2016 contribution to TRS was just 69% of the amount needed for the plan to tread water, that is to forestall growth in the reported net pension liability assuming other plan assumptions hold. Based on current funding practices, we expect unfunded liabilities of TRS on both a reported and Moody's-adjusted basis to grow, necessitating further growth in state contributions. The district's contribution to IMRF was stronger at 163% of tread water.

In July 2017, the state shifted responsibility for new employees' pensions to school districts in order to provide itself with budgetary relief under its statutory pension funding approach. While limited for now, the impact of this change will increase as employees hired after the change begin to comprise a greater portion of district staff. Districts are responsible for the entire accrued liability associated with employees hired starting in fiscal 2018, meaning they must backfill any unfunded liabilities associated with these employees that materialize in the future if pension assets do not preform as projected. Unless it acts to shift costs further, the State of Illinois retains responsibility for the bulk of pension costs associated with employees hired previously.

The State of Illinois General Assembly continues to consider changes to the contribution structure by shifting a larger share of contributions to districts and/or district employees. Whether the Illinois General Assembly will again shift additional pension costs to local school districts is unknown. Past proposals have included a phased-in shift of pension funding responsibility to the districts from the state equivalent to up to 1% of payroll each year for several years to cover the system's normal costs. Each 1% shift would cost the district approximately $100,000.

Management and Governance: Forward looking financial planning combined with moderate institutional framework

Illinois school districts have an Institutional Framework score of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. School districts have moderate revenue-raising ability since they are subject to tax caps, but districts can seek voter approval for additional local property tax funding. Revenue predictability is disparate across the state: revenue for property tax dependent districts are very stable, while revenue for state aid dependent districts are less stable. Strong public sector unions somewhat limit districts' expenditure reduction ability. Still, districts have some cost-cutting ability given manageable fixed costs, as the state currently assumes most pension costs. Expenditures consist primarily of personnel costs, which are highly predictable.

The district published financial projections through fiscal 2021 and has a comprehensive facilities plan outlining capital needs through fiscal 2022. The district has a history of surplus operations, as revenues outpaced expenditures by 1.04x from fiscal 2012 through fiscal 2016. The district has available space under all of its property tax rate caps to offset further declines in taxable value, though growth in its levy is limited by the state's property tax extension limitation law, which caps levy growth at the lesser of 5% or the rate of inflation.

Legal Security

The district's GOLT debt is secured by the district's pledge to levy a tax that is unlimited by rate but limited by the value of the district's DSEB.

Use of Proceeds

Not applicable.

Obligor Profile

Cook County S.D. 90 operates two elementary schools and one middle school in the Village of River Forest (Aa2). The district's boundaries are coterminous with the village. The district had a population of 11,233 according to the 2015 American Community Survey and enrollment for fiscal 2017 was 1,363.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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Contacts

Michael Armstrong +1 (312) 706-9975
Associate Analyst
michael.armstrong@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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