

# RatingsDirect®

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## Summary:

# Monroe County, Illinois; General Obligation

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### Credit Profile

US\$9.665 mil GO rfdg bnds (alternate rev source) ser 2013 due 03/01/2025

*Long Term Rating* AA/Stable New

Monroe Cnty GO self insurance rfdg ltd tax & alternate rev source bnds ser 2009A&B

*Long Term Rating* AA/Stable Upgraded

## Rationale

Standard & Poor's Ratings Services raised its long-term rating on Monroe County, Ill.'s series 2009A and 2009B general obligation (GO) bonds to 'AA' from 'AA-'. The upgrade is based on the application of our recently released local GO criteria. In addition, Standard & Poor's assigned its 'AA' rating to the county's series 2013 GO refunding bonds (alternate revenue source). The outlook on all ratings is stable.

The series 2013 bond proceeds will be used to refund the county's outstanding series 2004 and 2005 debt certificates. The series 2013 GO bonds are secured by pledged net revenues from the county's nursing home and its distributive share of taxes received from the state of Illinois, and to the extent that these pledged revenues are insufficient, by ad valorem property taxes. The county has indicated that it plans to abate the annual debt service levy for the series 2013 bonds in anticipation of holding sufficient funds at the time of abatement. The stable presence of additional unrestricted cash assets held by the county provides a source of liquidity in case of any shortfall.

The rating reflects our assessment of the following factors for the city.

- Strong economy, which benefits from participation in the broad and diverse economy of the St. Louis metropolitan area;
- Very strong budgetary flexibility with general fund balances exceeding 30% of expenditures for greater than three years;
- Adequate budgetary performance with a slight deficit in total governmental funds in 2012;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Adequate management with standard financial practices; and
- Adequate debt and contingent liabilities profile, with rapid amortization.

### Strong economy

We consider the county's economy to be strong with access to the broad and diverse economy of the St. Louis metropolitan area. At 6.4% in July 2013, the county's unemployment tracked lower than that of the state and the nation. The county's per capita effective buying income was 108% of the U.S.'s rate in 2012. Per capita market value for the county was \$66,147. Assessed value (AV) decreased by 3.6% between 2011 and 2012 to approximately \$735 million.

### **Very strong budget flexibility**

In our opinion, the county's budgetary flexibility remains very strong, with the available general fund balance above 30% of expenditures for the past several years. For audited 2012 (year ended Nov. 30), the county's unassigned fund balance was 63% of its operating expenditures. For fiscal 2013, the county expects its available general fund balance to remain consistent with previous levels, continuing this trend of very strong budgetary flexibility.

### **Adequate budgetary performance**

The county's budgetary performance has been adequate overall in our view, with a surplus of 4.6% in the general fund and a deficit of 3.5% for total governmental funds in 2012. Our calculated result does not include one-time revenue of \$380,522 from proceeds of a property sale. Approximately 30% of the county's revenues in the general fund are from property taxes, 18% from income taxes, and 17% from sales taxes. With respect to fiscal 2013, the county is projecting a break-even result in the general fund with a slight deficit in total governmental funds.

### **Very strong liquidity**

Supporting the county's finances is liquidity we consider very strong, with total government available cash at 88% of total governmental fund expenditures and above 120% of debt service, respectively. We believe the county has strong access to external liquidity. The county has issued debt frequently during the past 15 years, including GO bonds and debt certificates.

### **Adequate management conditions**

We view the city's management conditions as adequate with standard financial practices. Management reviews revenues and expenditures frequently throughout the year and provides the board with detailed quarterly budget reports. Capital expenditures are planned with the help of a five-year road and bridge improvement plan. Although it does not have a formal fund balance policy, the county has a target of maintaining at least two months of expenditures in general fund reserves. The county does not have a formalized long-term financial plan or a debt management policy.

### **Adequate debt and contingent liability profile**

In our opinion, the county's debt and contingent liability profile is adequate with total governmental fund debt service at 11% of total governmental fund expenditures and with net direct debt at 72% of total governmental fund revenue. Amortization is rapid with 89% of debt retired within 10 years. The county has self-supporting debt through a nursing home facility that it operates. The county does not plan to issue any additional debt during the next two years.

The county participates in the Illinois Municipal Retirement Fund (IMRF) and the Sheriff's Law Enforcement Personnel (SLEP) Plan to provide pension benefits for employees. It has contributed 100% of the annual pension cost in each of the past three years to both plans. As of Dec. 31, 2011, the IMRF fund and the SLEP Plan were both 77% funded. The combined pension and other postemployment benefit pay-as you-go costs for fiscal 2012 were 6.52% of total governmental expenditures.

### **Adequate institutional framework**

We consider the Institutional Framework score for Illinois counties subject to the Property Tax Extension Limitation Law as strong. See the Institutional Framework score for Illinois.

## Outlook

The stable outlook reflects our view of the county's consistent financial performance and economy. We do not expect to revise the rating in the next two years because we believe the county will maintain very strong budgetary flexibility. The county's participation in the broad and diverse St. Louis metropolitan area economy ok provides additional support to the rating.

## Related Criteria And Research

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Institutional Framework Overview: Illinois Local Governments

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