Chicago Park District, Illinois

G.O. Limited Tax Park Bonds, Series 2016A

G.O. Limited Tax Refunding Bonds, Series 2016B

G.O. Limited Tax Refunding Bonds, Series 2016C

G.O. Unlimited Tax Refunding Bonds, Series 2016D (PPRT Alternate Revenue Source)

G.O. Unlimited Tax Refunding Bonds, Series 2016E (Special Recreation Activity Alternate Revenue Source)

Analytical Contacts:

Jenny Maloney, Director
jmaloney@kbra.com, (646) 731-2464

Justin Schneider, Analyst
jschneider@kbra.com, (646) 731-2453

KBRA KROLL BOND RATING AGENCY

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Executive Summary

Kroll Bond Rating Agency (KBRA) has assigned a **AA** long-term rating and **Stable** Outlook to approximately $119 million of Chicago Park District, IL ("the District") General Obligation (G.O.) Series 2016 Bonds ("the Bonds") consisting of five series as follows: $75 million G.O. Limited Tax Park Bonds, Series 2016A; $8 million G.O. Limited Tax Refunding Bonds, Series 2016B; $17 million G.O. Limited Tax Refunding Bonds, Series 2016C; $4 million G.O. Unlimited Tax Refunding Bonds, Series 2016D (Personal Property Replacement Tax Alternate Revenue Source); and $15 million G.O. Unlimited Tax Refunding Bonds, Series 2016E (Special Recreation Activity Alternate Revenue Source). All amounts are estimates. Post-issuance, the District will have approximately $864 million of pro forma debt outstanding, including approximately $303 million of G.O. alternative revenue source (ARS) bonds.

Concurrently, KBRA has also affirmed the AA rating and Stable Outlook on the District's outstanding general obligation debt. The rating assignment is based on KBRA's **U.S. Local General Obligation Rating Methodology**. KBRA's rating evaluation of the long-term credit quality of local government general obligation bonds focuses on four key rating determinants:

- Governance, Management Structure, and Policies,
- Municipal Resource Base,
- Debt and Additional Continuing Obligations, and
- Financial Performance and Liquidity Position.

In the process of assigning the rating, KBRA reviewed multiple sources of information and spoke with District management.

Security Provisions

The District's general obligation limited tax bonds ("the G.O. LT Bonds") Bonds constitute a direct and general obligation of the Chicago Park District, payable from any funds legally available. The District is authorized to levy and collect, and has levied, a direct annual tax in an amount equal to annual debt service on all taxable property within the District, which is coterminous with the City of Chicago ("the City" or "Chicago"), to pay debt service on G.O. LT Bonds. The tax is not limited as to rate but is limited as to the amount that may be levied annually to pay debt service by the provisions of the Property Tax Extension Limitation Law (PTELL).

The District's Alternate Revenue Source Bonds ("the ARS Bonds") are general obligation bonds of the District, backed by the full faith and credit and unlimited taxing power of the District, and additionally supported by other pledged revenues. ARS Bonds are issued pursuant to the Illinois Local Government Debt Reform Act ("the Debt Reform Act"). The District has three types of ARS Bonds that are additionally secured and payable from Personal Property Replacement Tax (PPRT), Harbor Facilities, and Special Recreation Activity Property Tax revenues. For the PPRT ARS Bonds, pledged revenues are derived from PPRT revenues paid to the District from its share of the PPRT Fund of the State pursuant to Section 12 of the State Revenue Sharing Act, less pension and retirement obligations previously levied and collected from extensions of taxes against personal property, and the District's aquarium and museum obligations. For the Harbor Facilities Revenues ARS Bonds, pledged revenues are derived from revenues the District charges from the ownership and operation by the District of harbors, marinas, slips, docks, piers, breakwaters, parking areas, and related harbor facilities. For the Special Recreation Activity ARS Bonds, pledged revenues are derived from a Special Recreation Tax levy. At September 30, 2016, the District had $303.2 million of ARS Bonds outstanding, consisting of $124.4 million PPRT, $159.3 million Harbor Facilities Revenue, and $19.5 million Special Recreation Activity Property Tax Revenue ARS Bonds. Postrefunding, the District will have approximately $303 million of ARS Bonds outstanding. Historically, the District has abated the property tax levy. It is expected that the respective pledged revenues will be sufficient to pay debt service on the District's ARS Bonds and that the Pledged Direct Taxes provided by the bond ordinances will be abated annually.

The property tax levy is established and filed with Cook County at the closing of each bond issue. To the extent that sufficient pledged revenues for the respective ARS Bonds have been collected and deposited with the Bond Trustee to satisfy annual debt service obligations, the District is required to abate the *ad valorem* tax levy for that year. However, if the property tax levy is not abated and levied for collection, property tax receipts are deposited directly with the Bond Trustee. The District has covenanted to take all actions necessary to cause the levy and extension of additional *ad valorem* property taxes as necessary to pay debt service on the Bonds, in an amount no less than 1.25 times the annual debt service on the bonds.

Use of Proceeds

Proceeds from the Series 2016A Bonds will be used to finance various capital projects identified in the District's 2014, 2015 and 2016 Capital Improvement Plan (CIP). Principal repayment will commence on January 1 in 2022 through and including 2038, and interest payments will be payable on January 1 and July 1 beginning on July 1 , 2017.

Proceeds from the Series 2016B Bonds will be used to currently refund in full the outstanding Series 2006A G.O. LT Bonds. Proceeds from the Series 2016C Bonds will be used to advance refund all of the Series 2008F G.O. LT Bonds and a portion of the Series 2008G G.O. LT Bonds. Proceeds from the Series 2016D Bonds will be used to advance refund a portion of the Series 2008A PPRT ARS Bonds. Principal repayments will be on January 1 and interest payments will be payable on January 1 and July 1 beginning on January 1, 2017.

Finally, proceeds from the Series 2016E Bonds will be used to advance refund a portion of the Series 2008E Special Recreation Facility ARS Bonds. Principal repayments will be on November 15 and interest payments will be payable on November 15 and May 15 beginning on May 15, 2017.

In aggregate, the refunding bonds are expected to result in net present value savings of approximately 7.5% of refunded bonds.

Key Rating Strengths

- Strong financial condition as evidenced by stable and healthy levels of available fund balance
- Large committed working capital reserve within the General Fund and additional segregated reserves to support District operations
- Strong leadership team with long-standing financial management policies and procedures for budgeting, forecasting, and operations management
- Substantial tax base with deep and diverse economy that is coterminous with the City of Chicago

Key Rating Concerns

- Relatively high debt burden and level of debt service as a percentage of operating expenditures
- Statutorily based pension contributions, rather than actuarially based pension contributions, that cannot be increased if plan assumptions are not realized

Rating Summary

KBRA views the District's management structure and policies as providing a strong framework for managing its financial operations. The District's budget process is comprehensive and the management team at the District meets monthly to measure financial performance and discuss adjustments that need to be made to the budget in the course of the fiscal year. In addition to annual budgets, the District, as a part of its long-term financial planning, develops rolling three-year budget projections and five-year capital improvement plans. The District prudently reserves funds for economic stabilization, working capital, and revenue stabilization, which KBRA views positively. The working capital fund, which is primarily intended to be used for cash flow purposes, was established by formal Board policy and requires that a minimum of $85 million be maintained in the fund.

KBRA views the role of the District within the City of Chicago as providing an important and visible service to the residents of the City. The Chicago Park District, which is coterminous with the City, was established on April 20, 1934, pursuant to a referendum under the Chicago Park District Act which served to consolidate 22 separate park districts in the City of Chicago into one district. Today, the District operates one of the largest municipal park systems in the nation which includes nearly 8,500 acres of green space, 600 parks, 11 museums, and 26 miles of public lakefront. The District also owns many other facilities that are privately operated, including Soldier Field, six golf courses, and 10 harbors with capacity for approximately 6,000 boat slips and moorings.

KBRA views the City's municipal resource base as strong and diversified. Chicago is the third most populous city in the U.S., and a regionally important hub for the Midwest. The Chicago metropolitan area is home to more than 400 corporate headquarters, including 31 Fortune 500 companies, and in excess of 60 post-secondary institutions. It is ranked seventh on the 2015 Global Cities Index based on business activity, human capital, information exchange, cultural experience, and political engagement. It is also home to the second busiest U.S. airport by total passenger boarding.

After experiencing significant employment losses during the 2007-2009 recession, the City's economy continues to recover. The City's annual unemployment rate peaked in 2010 at 11.2% which was well above pre-recession levels, but has steadily declined over the past five years, consistent with State and national trends. As of July 2016, the City's annual unemployment rate was much lower at 6.1%, but still higher than that of the Chicago Metropolitan Statistical Area (MSA), state and the U.S. The City of Chicago's population had declined somewhat through 2010, but has grown modestly in recent years and increased to 2.72 million in 2015.

The District has a conservative all-fixed rate debt structure and high but manageable debt burden. The District had $798.0 million of direct debt outstanding as of September 30, 2016, including general obligation debt issued for all purposes (including alternate revenue bonds). In addition to the District's direct debt, KBRA's debt analysis includes consideration of the municipality's overlapping debt, which includes that of the City of Chicago, the Board of Education, Community College District, Cook County (52.0%), Forest Preserve District of Cook County (53.5%) and the Water Reclamation District (54.5%) and totaled $19.9 billion at September 30, 2016. The District has no variable rate debt and no exposure to swap derivative products or liquidity facilities.

KBRA considers the District's direct and overlapping debt on a per capita basis to be high. On a pro forma basis, debt per capita is projected to be $7,474 and overall debt to full market value to be moderate at approximately 8.6% of full market property value. Debt amortization based on all GO debt is considered satisfactory with approximately 46.6% of principal retired within 10 years and 88.3% retired within 20 years. KBRA views the level of total direct debt service paid in fiscal year 2015 as a percentage of total governmental expenditures to be high at 15.5%.

KBRA considers the District's financial condition to be strong based on a history of generally positive operating results, above-average expenditure flexibility, and significant reserves. The District's track record of managing expenditures and trimming personnel costs reflect conservative budgeting and fiscal monitoring practices as well as a willingness to make necessary budget adjustments to preserve operational balance. The District has also been very active in the development and expansion of non-tax revenue sources in the General Fund, including increasing the number of revenue producing venues and programs they operate. The District has maintained and increased its level of reserves from 2009 levels with a combination of asset sales and consistent operating surpluses. KBRA expects that the District will manage its financial operations to generally maintain balanced operations and strong reserves.

Based on the review of the four KBRA Rating Determinants included in the KBRA Rating Methodology for rating U.S. Local General Obligations, KBRA has assigned a rating to each Determinant, which is summarized as follows:

- Governance and Management Structure and Policies: AA
- Municipal Resource Base: AA
- Debt and Additional Continuing Obligations: A+
- Financial Performance and Liquidity: AA

Outlook: Stable

The stable outlook reflects KBRA's expectation that the District will continue to manage its finances to maintain balanced operations and strong levels of available fund balance and operating reserves. The stable outlook also reflects the expectation that Chicago area economy will continue to improve and the District will benefit from this growth. KBRA will continue to monitor the funding levels for the District Retirement Fund, given the risks we have identified in the statutory funding provisions.

In KBRA's view, the following factors may contribute to a rating upgrade:

- Continuation of strong financial operations generating surpluses and increasing reserves.
- A significant increase in the level of the funded ratio of the Retirement Plan.

In KBRA's view, the following factors may contribute to a downgrade of the rating:

- Trend of unbalanced financial operations and operating deficits in the General Fund.
- Ongoing reliance on reserves to make up operating shortfalls.
- Significant deterioration in the level of available fund balance and operating reserves.
- Significant ongoing decline in funded ratio levels in the Retirement Fund without further reform to increase pension contributions.

Key Rating Determinants

Rating Determinant 1: Governance and Management Structure and Policies

KBRA views the District's management structure and policies as providing a strong framework for managing its financial operations. The District is an independent government, a municipality of the State of Illinois, and imposes a comprehensive tax on an area that is coterminous with the City. The District is governed by a board of non-salaried commissioners, all of whom are appointed by the Mayor of the City with the approval of the City Council. Once placed in office, the commissioners serve five-year terms and may serve past their term until their successors are appointed and qualified by the Mayor and City Council. While the Mayor may appoint commissioners, he does not have the power to remove them.

KBRA views the role of the District within the City of Chicago as providing an important and visible service to the residents of the City. The Chicago Park District, which is coterminous with the City, was established on April 20, 1934, pursuant to a referendum under the Chicago Park District Act which served to consolidate 22 separate park districts in the City of Chicago into one district. Today, the District operates one of the largest municipal park systems in the nation which includes nearly 8,500 acres of green space, 600 parks, 11 museums, and 26 miles of public lakefront. The District also owns many other facilities that are privately operated, including Soldier Field, six golf courses, and 10 harbors with capacity for approximately 6,000 boat slips and moorings.

Comprehensive Budgeting and Forecasting Process

The District's fiscal cycle coincides with the calendar year, beginning on January 1 and ending December 31. The budgeting process is initiated in July of every year and includes public interaction to solicit input, after which separate park departments submit their budget requests to the Office of Budget and Management (OBM). The District budget must be passed by December 31 and must be balanced at adoption. If the budget needs adjustment during the fiscal year, a supplemental appropriation is submitted to the Board, which must then give 10 days' notice and hold a public hearing before passage of any appropriation changes. The District's frequent monitoring of budget against actual results and the ability and willingness to make adjustment as needed is viewed favorably by KBRA. In addition to annual budgets, the District develops rolling three-year budget projections as part of its long-term financial planning. The District also produces a five-year capital plan which includes the potential use of revenue sources, debt issuance, as well as donations and grants. KBRA views the District's substantial long-term financial and capital planning positively.

Reserve Policy

The District maintains a large working capital reserve fund, which is utilized primarily for cash flow purposes and Board authorized one-time capital costs. The District's working capital reserve policy requires that a minimum balance of $85 million be maintained in this fund at the fiscal year end. Any draws for cash flow needs are to be replenished by the end of the fiscal year. Additionally, the District designates an economic stabilization account ($25.8 million at FYE 2015) to be funded in an amount equal to 8%-16% of the preceding year's General Fund expenditures and maintains a $5 million reserve for PPRT stabilization. At FYE 2015, the working capital reserve and economic stabilization account equaled $96.0 million and $25.8 million, respectively, and effectively unchanged from the prior year. The District also has a long-term liability reserve from which it has and will fund supplemental contributions to bridge the pension funding gap in its Retirement Fund pursuant to Public Act 98-0622 (PA 98-0622). PA 98-0622 was intended to secure the long-term health of the District Retirement Fund and required supplemental pension contributions by the District of $12.5 million in FY 2015, $12.5 million in FY 2016, and $50 million in FY 2019 to fund the UAAL (or net pension liability beginning with FY 2015). The supplemental contributions for FY 2015 and FY 2016 have been made and another $50 million is expected to be paid in FY 2019. KBRA views the District's reserve practices as providing a substantial level of working capital flexibility.

In addition to formal budgeting process and reserve policy, the District maintains an investment policy for funds other than pension funds, among other policies. Based on the foregoing discussion, KBRA views the District's governance and management structure and policies as being consistent with an AA Rating Determinant rating. The rating reflects the District's established budgetary practices and procedures, a history of reliable forecasting, and regular financial reporting, as well as a focus on long-term planning evidenced by use of a five-year capital improvement plan. The rating also reflects the lack of a formal policy on minimum unassigned fund balances to be maintained in the General Fund. The District's formal reserve policy for the working capital reserve is favorably noted.

Rating Determinant 2: Municipal Resource Base

Economic and Demographic Characteristics

KBRA has analyzed the municipal resource base of the City of Chicago as the District is coterminous with the City. The City of Chicago is the largest city in the Midwest and the third largest city in the United States by population. The City is the County Seat for Cook County and the regional hub for commerce and culture. The Chicago MSA is home to over 400 corporate headquarters, including 31 in the Fortune 500. Chicago is the second largest financial center in the U.S., accounts for 18% of the world's global derivatives trading market and its exchange accounts for 22% of the world's trading activity for futures, options and derivatives. The City is ranked seventh on the Global Cities index in 2014 and 2015 based on business activity, human capital, information exchange, cultural experience and political engagement. Chicago is home to the second busiest U.S. airport and total visitors to the City is estimated to have exceeded 52 million in 2015, a new record.

Population

The City of Chicago's population had declined somewhat through 2010, but has grown modestly in recent years and increased by 0.8% since 2010 to 2.7 million in 2015. The City's population is highly educated, with 36.6% of the population having a B.A. or advanced degree. This is above comparable state and national levels and reflects the nature and quality of the employment base in the City. Per capita income in the City is up 23.4% from 2010 to 2015 reflecting the effects of residential redevelopment and underlying economic growth. However, the City poverty level, at 20.9%, is approximately 1.5 times higher than state and national levels, but not inconsistent with its urban nature. KBRA views the stable, highly educated population as providing a strong base from which to generate sales tax revenue.

	Chicago Park District		Cook County			Illinois			United States		
	2015	Chg from 2010	2015	Chg from 2010	Chicago Park District as % of Cook County	2015	Chg from 2010	Chicago Park District as % of Illinois	2015	Chg from 2010	Chicago Park District as % of United States
Population	2,720,556	0.8%	5,238,216	0.7%		12,859,995	0.1%		321,418,821	3.9%	
Age Dependency Ratio[1 2]	49.4%	-0.9	55.4%	0.0	**89.1%**	59.3%	0.8	**83.2%**	60.7%	1.8	**81.4%**
Population with B.A. Degree or higher[2]	36.6%	3.3	36.5%	2.6	**100.3%**	32.9%	2.1	**111.2%**	30.6%	2.4	**119.6%**
Poverty Level[2]	20.9%	-1.6	16.1%	-0.6	**129.8%**	13.6%	-0.2	**153.7%**	14.7%	-0.6	**142.2%**
Income per capita	$31,641	23.4%	$32,577	17.0%	**97.1%**	$31,867	16.6%	**99.3%**	$29,979	15.0%	**105.5%**

Source: U.S. Census Bureau is used as the source in order to provide a consistent comparison among different units of government.

[1] Age dependency ratio is the sum of the population under 18 yrs and over 65 yrs divided by persons age 18 to 64 yrs.

[2] Year over year change shown as nominal change in percentage points.

Business and Commercial Tax Base

The top 10 employers in the City reflect a diverse mix of employment. As reflected in the table below, JPMorgan Chase was the City's largest corporate employer in 2015 with 14,158 employees. While Advocate Health Care, the University of Chicago and Northwestern Memorial Healthcare are larger employers, they are non-profit, tax-exempt institutions. In 2016, McDonalds announced that it would move its 500,000 square foot Headquarters from outside the City to the West Loop neighborhood of Chicago.

City of Chicago's 10 Largest Employers as of 2015		
Employer	**# of Employees**	**% of City Employment**
Advocate Health Care	18,308	1.44%
University of Chicago	16,197	1.27%
Northwestern Memorial Healthcare	15,317	1.20%
JP Morgan Chase & Co.	14,158	1.11%
United Continental Holding Inc.	14,000	1.10%
Health Care Service Corporation	13,006	1.02%
Walgreen Boots Alliance Inc.	13,006	1.02%
Presence Health	10,500	0.82%
Abbott laboratories	10,000	0.79%
Northwestern University	9,708	0.76%
Total	**134,200**	**10.53%**

Source: City of Chicago

Chicago is also home to over 60 public and private post-secondary educational institutions, 35 museums and 200 theater companies and is a significant convention and tourist destination. In calendar year 2015, the total number of visitors is estimated to have exceeded 52 million and the City is on target to meet its goal of attracting 55 million visitors annually by 2020. Leisure visitation reached a record of 39 million in 2015, an increase of 4.5%, and overnight business visitation, the growth leader, increased by 5.8% to 7.9 million. KBRA views the City's large and growing tourist base as a means to effectively export a high proportion of its sales tax burden to non-residents.

Employment

After experiencing significant employment losses during the 2007-2009 recession, the City's economy continues to recover. As illustrated in the table below, between 2010 and 2015, non-agricultural employment for the City increased by 5.6% but was outpaced by the nation's 8.8% growth rate. The City's annual unemployment rate peaked in 2010 at 11.2% which was well above pre-recession level, but has steadily declined over the past five years, consistent with State and national trends. As of calendar year 2015, the City's annual unemployment rate declined substantially to 6.4% but remained higher than that of the Chicago MSA, State and the U.S. Based on July estimates from the U.S. Bureau of Labor Statistics, the same trend continues in 2016.

Employment Levels and Unemployment Rates (Not Seasonally Adjusted)								
in thousands	City of Chicago		Chicago MSA		Illinois		U.S.	
Year	**Employment**	**Unemployment Rate**	**Employment**	**Unemployment Rate**	**Employment**	**Unemployment Rate**	**Employment**	**Unemployment Rate**
2007	1,243	5.8%	4,645	4.9%	6,334	5.0%	137,999	4.6%
2008	1,231	7.0%	4,600	6.1%	6,239	6.3%	137,242	5.8%
2009	1,174	11.1%	4,381	10.2%	5,943	10.2%	131,313	9.3%
2010	1,206	11.2%	4,358	10.6%	5,937	10.4%	130,361	9.6%
2011	1,208	10.9%	4,378	9.9%	5,948	9.7%	131,932	8.9%
2012	1,229	10.0%	4,442	9.1%	5,993	9.0%	134,175	8.1%
2013	1,235	10.1%	4,463	9.1%	5,965	9.1%	136,381	7.4%
2014	1,256	7.8%	4,540	7.1%	6,054	7.1%	138,958	6.2%
2015	1,274	6.4%	4,603	5.8%	6,126	5.9%	141,865	5.3%
2016*	1,321	6.2%	4,780	5.5%	6,312	5.6%	144,183	4.9%

Source: U.S. Bureau of Labor Statistics

** Based on preliminary July 2016 estimates*

Property Tax Base and Ad Valorem Limitations

Substantially all of the taxable property of the District falls within Cook County and the District tax base is coterminous with the City. The Cook County Assessor is responsible for assessing the fair market value of all taxable property within the County. Real property is reassessed on a triennial basis. Real property within the City of Chicago was last reassessed in 2015. The next assessment will be completed by the end of 2018.

Once the assessed valuation has been determined, the State Department of Revenue establishes the equalization factor for the year. The equalization factor is essentially a multiplier that brings the aggregate assessed valuation for each county to the statutory requirement of 33 1/3% of fair cash value. The District's estimated fair market value peaked in 2006 and is down 28.2% to $236.7 billion in 2013. More current full market values are not yet available. However, equalized assessed valuation (EAV) has increased at healthy rates the last few years. After the City underwent a reassessment in 2015, EAV increased by 9.3% to $71.0 billion, but remains down 16.1% from its 2009 peak of $84.6 billion. KBRA notes that the drop in equalized assessed valuation began almost three years after the market value fell reflecting a lag in reassessment of properties within Illinois. Taxpayer concentration is low, with the District's 10 largest taxpayers representing a modest 1.9% of assessed value. The City currently has 49 buildings 12 stories or higher currently under construction which represent a mix of residential, commercial and office uses. These developments will have a positive impact on the EAV for the District once these projects are completed.

City of Chicago's 10 Largest Taxpayers as of 2014

Company	Net Taxable Valuation ($'000)	% of Assessed Value
Willis Tower	$364,454	0.29%
AON Building	241,083	0.19%
Merchandise mart	236,632	0.19%
Citadel Center	233,798	0.19%
Hyatt Center	223,714	0.18%
CME Center	220,757	0.18%
One North Wacker Drive	215,718	0.17%
Blue Cross Blue Shield Tower	206,782	0.16%
Water Towerplace	195,486	0.16%
Chase Tower	194,963	0.16%
Total	**$2,333,387**	**1.87%**

Source: City of Chicago

The County Clerk is responsible for computing the tax rate for each local government unit within the County to ensure that it falls within applicable statutory limits. State law limits the annual growth in the property tax levy to the lesser of 5% or the percentage increase in the prior year consumer price index for urban consumers. The Law does not limit levies for debt service on unlimited general obligation debt. Property taxes are collected by the County Collector, who remits to the District its share of the collections.

In 2015, the total tax rate within the City, including all overlapping entities, is $6.867 per $100 of equalized assessed valuation. Tax collections reflect the effects of the recession on property values, with current collections hitting a low of 84.0% in 2009, but generally recovering to prerecession levels of approximately 96.0% since 2012. Total tax collection of the gross levy remained more stable, ranging from approximately 96% to 98% since 2011.

Based on the foregoing, KBRA views the economic and demographic base as being consistent with a AA Rating Determinant rating. This rating reflects the size and diversity of the underlying economy, including its strong overall demographics with wealth and income levels above State and national averages. Chicago's economic improvement since the recession is viewed as a positive factor on the stability of the City.

Rating Determinant 3: Debt and Additional Continuing Obligations

The District has a conservative all-fixed rate debt structure and high but manageable debt burden. As noted earlier, the District had $798.0 million of direct debt outstanding as of September 30, 2016, including general obligation debt issued for all purposes (including alternate revenue bonds). In addition to the District's direct debt, KBRA's debt analysis includes consideration of the municipality's overlapping debt, which includes that of the City of Chicago, the Board of Education, Community College District, Cook County (52.0%), Forest Preserve District of Cook County (53.5%) and the Water Reclamation District (54.5%) and totaled $19.9 billion at September 30, 2016. The District has no variable rate debt and no exposure to swap derivative products or liquidity facilities.

Direct and Indirect Debt

KBRA considers the District's direct and overlapping debt on a per capita basis to be high. On a pro forma basis, debt per capita is projected to be $7,474 and overall debt to full market value to be moderate at approximately 8.6% of full market property value. Debt amortization based on all GO debt is considered satisfactory with approximately 46.6% of principal retired within 10 years and 88.3% retired within 20 years. KBRA views the level of total direct debt service paid in FY 2015 as a percentage of total governmental expenditures to be high at 15.5%. Debt service declined by $3.3 million in FY 2016 due largely to the debt refinancing that took place last October 2015. The District also has a downward sloping debt service schedule, which KBRA views favorably as it affords the District flexibility for future financial operations and additional debt capacity.

Chicago Park District Debt Ratios Pro Forma Debt Outstanding	
KBRA Metric	**Ratio**
Overall direct and indirect debt per capita	$7,474
Overall debt as % of full market value of property*	8.6%
Debt amortization within 10 years	46.6%
Debt amortization within 20 years	88.3%
Direct debt service as a % of total governmental expenditures (FY 2015)	15.5%

Source: Chicago Park District POS
** Based on City of Chicago 2013 full market value, the most recent available year*

The District has three types of ARS Bonds with debt service paid from pledged revenues derived from Personal Property Replacement Tax, Harbor Facilities, and Special Recreation Activity Property Tax revenues, respectively. These ARS bonds are ultimately backed by the general obligation, unlimited taxing authority of the District. Post-issuance, the District will have approximately $303 million of ARS Bonds outstanding, consisting of $124.3 million PPRT, $159.3 million Harbor Facilities Revenue, and $19.4 million Special Recreation Activity Property Tax Revenue ARS Bonds.

PPRT revenues are collected by the Illinois Department of Revenues (IDOR) and the IDOR distributes the District's share in eight payments during the year. In addition, the District generally makes deposits into the Trustee-held debt service accounts in March of the fiscal year prior to the January 1 debt service payment date. This results in debt service requirements being satisfied approximately nine months in advance of the required payment dates. There is no other limit on the amount of ARS Bonds that the District can authorize, as long as such bonds are issued in accordance with the Debt Reform Act.

The property tax levy is established and filed with Cook County at the closing of each bond issue. To the extent that sufficient pledged revenues for the respective ARS Bonds have been collected and deposited with the Bond Trustee to satisfy annual debt service obligations, the District is required to abate the *ad valorem* tax levy for that year. As noted earlier, the District has historically abated the property tax levy. It is also expected that the respective pledged revenues will continue to be sufficient to pay debt service on the District's ARS Bonds and that the Pledged Direct Taxes provided by the bond ordinances will be abated annually. In FY 2015, debt service coverage remained solid for PPRT, Harbor Facilities, and Special Recreation Activity ARS Bonds at 3.2x, 1.9x, and 2.9x, respectively, and are not expected to materially change for FY 2016.

The District typically enters into a bank line of credit to provide interim financing for projects before reimbursing itself with proceeds from long-term bonds or state funding. On March 21, 2016, the District entered into a Line of Credit (LOC) Agreement through a BAN authorization with PNC Bank on March 9, 2016 for $40 million of capacity. Interest is calculated as a percent of LIBOR. With the current issuance, the District will pay in full the outstanding $35.6 million drawn on the line of credit, at which time the District expects to cancel the line. The District has no definitive plans to reopen a new line of credit immediately, but may enter into a new line of credit in mid-2017 to temporarily finance additional capital projects.

The District is subject to the Debt Reform Act which limits the amount of debt service payable from property tax millage for limited tax non-referendum GO bonds. Pursuant to this Act, the District issued all limited tax GO bonds under a maximum annual debt service limit of $42.1 million. Beginning in 2009, the PTELL introduced an annual growth factor for increasing the debt service extension base capacity (DSEB) for non-referendum bonds by the lesser of 5% or CPI. In 2016 (for FY 2017), the District's DSEB base continues to grow, to $47.5 million, which is expected to result in approximately $2 million of unused DSEB capacity post-issuance. With the declining debt service schedule, the unused DSEB capacity is projected to grow over the life of the bonds (through 2038) and provide adequate capacity for new debt issuance.

Capital Improvement Plan (CIP)

The District's CIP is a comprehensive, five-year plan for land acquisition and park development, new building construction, park site improvements, and major equipment replacement or procurement. The CIP is approved by the board of commissioners in conjunction with its budget. It outlines projects which cost over $10,000 and have a useful life of more than five years. The District's 2016-2020 CIP outlines $294 million of capital investment including the issuance of $162 million in General Obligation bonds , of which approximately $37.5 million of the Series 2016A Bonds will be used to fund FY 2016 capital projects. The remainder of the Plan is expected to be funded through city, state, federal, and private grants. In general, the District will identify other sources for funding approximately two-thirds of the cost of a project before beginning a project. These other sources are typically fundraising and grants. Larger projects, such as the Big Marsh Park, are typically completed in phases as sources of funding (aside from District funds) are identified.

In 2015, the State informed the District that approximately $57 million in previously committed grants were suspended or cut given the State's budget impasse. Approximately $44 million of projects that were to be financed with state grants had not yet begun and the District was expecting to be reimbursed for approximately $4 million of capital expenditures already incurred. Positively, the State has since released the full $26.5 million of previously suspended state grant funding.

Employee Retirement Fund

The District's Retirement Fund is a single-employer defined benefit pension fund governed by the Illinois Pension code. Based on 2010 pension legislation, two tiers of membership were created. The Illinois

Pension Code (Article 12) governs the process of determining the level of pension contributions made by the Park District. Historically, the Pension Code has provided that District contributions to the Retirement Fund to be funded at a level equal to a specific percentage of payroll from the proceeds of a specific pension tax levy without consideration of funding needed to fully meet the pension requirement on an actuarial basis. Although the District had made the maximum contribution allowed by the Pension Code, these contributions have historically been lower than the actuarially required contribution (ARC).

In January 2014, the State enacted Public Act 98-0622 (PA 98-0622) which includes amendments to the Pension Code, effective January 1, 2015. The purpose of this legislation is to provide sustainable funding to secure the long-term health of the District Retirement Fund. The District developed this pension reform plan in conjunction with their employee unions before submitting it to the State legislature. Changes were made to benefit levels, including changes to the retirement age, reduction on automatic annual increases, and contribution levels. The amendments to the Pension Code require both the employer and employee to increase contributions to the pension fund. Employee contributions increase to 12% of salary in 2019 and remain fixed until the funded ratio is 90% at which point the percentage drops to 10.5%. Employer contributions increase from the current 1.1x to an amount equal to 2.9x the amount of employee contributions in 2019 and remain there until the Fund is 90% funded. Additionally, the Pension Code provides that the District may fund contributions to the Retirement Fund from any available revenue of the District rather than only the proceeds of an annual pension levy.

Pursuant to PA 98-0622, the District supplemented the employer pension contributions by $12.5 million in FY 2015, $12.5 million in FY 2016, and plans to supplement by another $50 million in FY 2019 to fund the UAAL (or net pension liability beginning with FY 2015). Under the 2014 pension reform legislation, District contributions are still based solely on a percentage of payroll and projections. The increases in pension funded ratios are predicated upon a number of assumptions regarding plan valuation, including a 7.5% return on investment assets. In the event the funded ratio does not grow as projected, the District cannot increase their contributions without additional State legislation.

According to the plan submitted by the District, annual employer contribution levels by the District were projected to increase from $30.6 million in FY 2015 (5.9% of FY 2015 governmental expenditures) to a peak of $46.5 million by FY 2048 (approximately 8.9% of FY 2015 governmental expenditures). In FY 2015, the District's pension contribution did, in fact, increase by $19.4 million to $30.6 million, reflecting 84% of the actuarially determined contribution (ADC) and a pension funded ratio of 43.5%. KBRA notes that the District's pension contributions as a percentage of total governmental expenditures will likely be less given the typical incremental annual increases of total expenditures. The funded ratio is projected to decline through 2019 when a $50 million supplemental pension contribution is expected to be made. After 2019, the pension funded ratio is projected to steadily increase until it reaches 90% by 2048. As of December 31, 2015, the District's net pension liability was $514.6 million.

Given the structure of pension funding in Illinois, the risk of insufficient funding of the District's pension plan still remains a concern. Although KBRA believes the elevated level of pension payments will remain a challenge, we also view them as manageable. The District has developed a comprehensive strategic plan to generate funds for the increased employer contributions. The District's plan includes debt service savings from refunding bonds, shifting PPRT revenue to fund pension costs by converting PPRT secured bonds to G.O. limited tax debt and supplemental contributions from existing reserves.

Recent Pension Developments

On October 14, 2015, a lawsuit was filed against the Retirement Fund challenging the constitutionality of PA 98-0622. Proceedings of this lawsuit were stayed pending a decision by the Illinois Supreme Court on the constitutionality of similar legislation (PA 98-0641) affecting the pension funds of two labor unions of the City of Chicago. The Supreme Court issued an opinion on March 24, 2016, and found the pension reforms unconstitutional. At a status hearing on June 9, 2016, the interested parties expressed the desire to negotiate another mutually agreed solution to pension relief given the similarities between the District's and City's case, and the court offered to serve as mediator. At the September 14 and October 14, 2016 status hearings, no agreement was reached between SEIU Local 73 and the District (together, "the Parties"), and the court continued to offer its assistance with mediation. The District expects that a judge will be presented with a draft court order between the Parties that would allow the pension fund to pay to retirees the cost of living increases there were suspended and have the original cost of living calculation effective retroactive to January 1, 2015, among other items. The negotiation is ongoing and KBRA will continue to monitor its progress.

Until litigation has concluded or the court order has been signed, the provisions of PA 98-0622 remain in effect and the District made the second planned $12.5 million supplemental pension payment budgeted for FY 2016. In addition, given the court decision on PA 98-0641 and without a negotiated mutually agreed decision, the District expects that the court will follow the Supreme Court's decision in the City's pension litigation and find PA 98-0622 unconstitutional. In this case, the District's projected pension contributions could decrease, as well as the employees' projected contributions. The District has estimated that its net pension liability would, in turn, increase by approximately $111.2 million (from $514.6 million at December 31, 2015). At December 31, 2015, the Retirement Plan covered 6,084 members of which 3,063 were active employees.

OPEB Liabilities

The District funds its retired employee healthcare plan on a pay-as-you-go basis. For FY 2015 the District contributed $2.1 million (0.4% of operating expenditures) to the plan, a $1 million annual increase from the prior year's contribution. The 2014 pension legislation did not include reforms to the retiree healthcare plan.

Total fixed costs for FY 2015, including total direct debt service expenditures ($80.9 million), employer pension contributions ($30.6 million, including $12.5 million supplemental pension contribution) and pay-go OPEB contributions ($2.1 million), totals $113.6 million or a high 21.7% of FY 2015 total governmental expenditures. Excluding the $12.5 million supplemental pension contribution, total fixed costs equaled 19.3% of total governmental expenditures.

Based on the aforementioned, KBRA considers the District's Debt and Continuing Obligations profile as being consistent with an A+ Rating Determinant rating. The District's high debt per capita, moderate direct debt to full market valuation and very high direct debt service relative to General Fund expenditures are partially offset by the District's continued efforts at pension reform, conservative budgeting efforts and plan to fund increasing pension contributions over time.

Rating Determinant 4: Financial Performance and Liquidity

KBRA considers the District's financial condition to be strong based on a history of generally positive operating results, above-average expenditure flexibility, and significant reserves. The District's track record of managing expenditures and trimming personnel costs reflect the District's conservative budgeting and fiscal monitoring practices as well as a willingness to make necessary budget adjustments to preserve operational balance. The District has also been very active in the development and expansion of non-tax revenue sources in the General Fund, including increasing the number of revenue producing venues and programs they operate. The District has maintained and increased its level of reserves from 2009 levels with a combination of asset sales and consistent operating surpluses. KBRA expects that the District will manage its financial operations to generally maintain balanced operations and strong reserves.

Historically Balanced Operations

The District generally achieves surplus operations, reflecting the District's strong and proactive management of revenues and expenditures. The District managed its financial operations effectively through the recessionary period due to the diversity of its revenues and periodic review and budget adjustment. Since 2008, the General Fund experienced fluctuations in property tax collections due to timing delays in receiving property tax collections from Cook County.

District Reserves

KBRA views positively the District's establishment and maintenance of healthy reserve balances positively. The District's trend of unrestricted fund balances has exceeded 10% for the past six years, a level which KBRA considers strong. At FYE 2015, total General Fund balance was $203.5 million, or 67.5% of General Fund expenditures and 38.9% of total governmental expenditures. All but $1.5 million of total fund balance was unrestricted, which includes unassigned, assigned and committed fund balances. Unassigned fund balance alone was $27 million at FYE 2015 (9% of General Fund expenditures).

In FY 2011, the District established a number of specific operating reserves within the General Fund. The District sold its parking garages in 2006 and created the Long-Term Income Reserve Fund with the proceeds. The Long-Term Income Reserve Fund, now referred to as the working capital reserve, was merged into the General Fund due to GASB 54 implementation in FY 2011. The working capital reserve is included as part of committed fund balance and totaled approximately $96.0 million, or a strong 31.8% of FY 2015 General Fund expenditures. KBRA views the availability of the working capital reserve as adding a strong level of liquidity to the District. According to the District, the primary use of this reserve is to bridge the cash flow deficit that occurs between tax receipts in spring and in fall as the summer months incur high expenditures due to high utilization of park services. In addition to the working capital reserve, committed reserves also include a $25.8 million economic stabilization reserve (8.6% of General Fund expenditures), which can be utilized for revenue shortages of 10% or more below expectations caused by economic downturns, natural disasters or other major events, and a $5 million PPRT stabilization reserve.

Assigned fund balance includes a $12 million budget stabilization reserve intended to offset any unforeseen fluctuations in operations or revenue, a $35 million long-term liability reserve, and two smaller reserves totaling $1.2 million. The District approved the allocation of $25 million in fiscal 2012 to the long-term liability reserve fund, which will fund supplemental employer pension contributions in 2015 and 2016. If needed, a portion of the $50 million 2019 supplemental pension payment is also expected to be funded with this reserve, if needed.

Revenue Diversity

The District's major revenue source in the General Fund remains its property taxes comprising 54.3% of FY 2015 revenues. Other large components of General Fund revenues include Soldier Field rental revenue (14.1%), PPRT revenues (8.8%), and recreational fees (4.5%). The District's ability to manage through the fluctuations in property tax receipts in past years and maintain the current level of reserves underscores its financial flexibility.

The District's operating levy (for the Corporate Fund) is limited to $0.66 per $100 of equalized assessed valuation (EAV) and declined to $0.217 per $100 of EAV in FY 2015 from $0.244 in FY 2014. This leaves capacity of roughly $0.443 per $100 of AV for the District for additional tax revenue. Increases in tax levy are limited by the Property Tax Extension Limitation Law (PTELL). The PTELL specifically limits the annual growth in annual property tax extensions for the District to the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the relevant levy year. Generally, extensions can be increased beyond this limitation only due to increases in equalized assessed valuation attributable to new construction or referendum approval of tax or limitation rate increases.

PPRT revenues have generally increased year-over-year. The PPRT is collected by the State and paid to local governments to replace local revenues lost when the authority of local governments to impose personal property taxes on corporations and businesses was removed by the State. PPRT revenue distributions reflect the level of business activity of the local government over the last several years. Growth in the District's PPRT revenue has generally been strong, owing to a growing commercial base in the City of Chicago. The District has reserved $5 million in a committed fund balance account in the General Fund to buffer any future fluctuation in this revenue source.

In April 2016, the State informed the District that an error in the allocation calculation was made for the PPRT, resulting in an over-allocation by the State of approximately $5.5 million over FYs 2014 and 2015. Net of the $0.42 million over-allocation that was passed on to the Aquarium & Museums, the amount of this calculation error is approximately $5.1 million for the District. Conservatively, the District's PPRT revenues of $42.6 million in FY 2015 reflect the adjustment downward of the full net amount of the allocation error ($39.1 million, net amount passed on to the Aquarium & Museums). The District also booked a liability to the State for this amount in FY 2015 as the State's initial intention was to collect the amount of the allocation error in 2017 and 2018. Subsequently, rather than have the local governments repay the amount of the over-allocation in 2017 and 2018, the Senate passed S.B. 2047 that calls for the distribution of $100 million of PPRT revenues to local community college districts within the state effective June 30, 2016. The state's reallocation of PPRT revenues to the local community college districts will, in effect, reduce the amount of PPRT revenue that local taxing districts, such as the District, will receive in FY 2016. After the reallocation of PPRT revenue by the state in 2016, the state's calculation for distributing PPRT revenue will be corrected and result in a lower baseline of PPRT revenue for the District beginning in FY 2017.

General Fund FY 2011-FY 2015

Revenues, Expenditures and Changes in Fund Balance (Modified Accrual Basis) ($'000)

	2015		2014		2013		2012		2011
General Fund Revenue	$300,325		$284,712		$258,348		$263,540		$291,467
percent change		5.5%		10.2%		-2.0%		-9.6%	
General Fund Expenditures	$301,467		$277,499		$268,223		$253,286		$256,644
percent change		8.6%		3.5%		5.9%		-1.3%	
Surplus (Deficit) from Operations	(1,142)		7,213		(9,875)		10,254		34,823
Total Other Financing Sources (Uses)	$0		$11,372		$0		$0		$3,621
Net Change in Fund Balance	(1,142)		18,585		(9,875)		10,254		38,444
Total Fund Balance	$203,482		$204,624		$186,039		$195,914		$185,660
Nonspendable Fund Balance	$1,512		$1,500		$843		$1,037		$3,478
Spendable Fund Balance									
Assigned Fund Balance	$48,189		$47,510		$37,108		$14,638		$7,256
Committed Fund Balance	$126,776		$127,976		$120,976		$120,976		$115,833
Unassigned Fund Balance	$27,005		$27,638		$27,112		$59,263		$59,093
Unassigned Fund Balance as a % of General Fund Expenditures	**9.0%**		**10.0%**		**10.1%**		**23.4%**		**23.0%**

Source: Chicago Park District Audited Financial Statements FY 2011 - FY 2015

FY 2015 Results

The FY 2015 budget included expenditure growth from FY 2014 levels of approximately $23.0 million and the use of $4 million of appropriated fund balance as a revenue source. Of this amount, $19.3 million represents increased and supplemental contributions to the pension fund as required by pension legislation changes. The District also expanded services, including the summer camp program and other athletic and recreational services. These were largely funded through an increase in revenue from property taxes attributed to new construction and an increase in available tax increment revenues. The District also saw revenue growth from Soldier Field, concessions, and other park program fees.

Despite budgeted use of fund balance and long-term liability reserves (totaling $16.5 million), FY 2015 operations ended with General Fund balance down by approximately $1.1 million to $203.5 million, or 67.5% of General Fund expenditures. Stronger than budgeted performance was driven by property tax and Soldier Field revenues in excess of budget, and expenditures that came in $4.5 million less than budget. As a result, only $5 million of the $12.5 million budgeted long-term liability reserve was drawn for the supplemental pension contribution, and there was no use of the $4 million budgeted fund balance.

FY 2016 Budget and Year-to-Date Operations

The District's FY 2016 budget was adopted on December 9, 2015 and reflected a 2.1% increase to $458.1 million from the prior year. For the second year in a row, the budget included a $12.5 million draw on the long-term liability reserve for the 2016 supplemental pension payment and a $3 million use of fund balance (down from $4 million in FY 2015). In addition to the appropriation of fund balance, the District balanced the 2016 budget with recurring expenditures cuts ($5.3 million) and new revenues. The FY 2016 budget also includes a $30.8 million pension contribution, including a $12.5 million supplemental pension contribution.

The District reviews its rate for uncollectible taxes annually and conservatively budgeted to receive 96.3% of the current levy in FY 2016. To date, the District has collected 95.5% of budgeted property tax revenues. Soldier Field revenues, the largest non-tax revenue source, is budgeted at $32.4 million, or approximately $10 million less than actual 2015 revenues that resulted from a strong 2015 events calendar and included the Grateful Dead's three-day Fare Thee Well Tour, a Chicago Blackhawks Stanley Cup championship rally, and many other sporting and music events. The District currently projects that the net surplus from Soldier Field will exceed budget by $1.6 million.

The District has above-average expenditure flexibility to adjust operations throughout the year, which KBRA views positively. Much of this flexibility stems from nearly half of its year-round positions as hourly and the ability to reallocate personnel, as needed, to programs depending on demand. In addition, the District provides many amenities that could be curtailed if needed, and further contributes to the District's operating flexibility. Through August 31, 2016, District management reports that operating revenues are generally tracking budget, except for PPRT revenues. In FY 2016, budgeted PPRT revenues were based on higher PPRT revenue assumptions because the District was notified by the State in April 2016 of the over-allocation error after the FY 2016 budget was adopted. As a result, PPRT revenues will be lower than budget by year end. Surplus receipts from tax increment financing (TIF) districts is one source of revenue that has already exceeded budget as of August 31, 2016 ($7 million vs. $6.7 million budget). Surplus receipts are projected to grow as a source of revenue as TIF districts in the City expire so that the District can benefit from all the property tax revenues previously captured by the TIF district. The District also reports that expenditures are tracking budget, with continued efforts at cost containment related to water and natural gas utilities and personnel. Water conservation remains a key priority, and is an area in which the District has achieved measurable expenditure savings. The District has also received additional grants for incremental staff for specific programs.

The District conservatively budgeted to end FY 2016 with a General Fund balance of $172.6 million (54.4% of budgeted General Fund expenditures), including $96.0 million working capital reserves, $32 million of economic and PPRT stabilization reserves, $15 million in long-term liability reserves, and $6 million O&M stabilization reserves. Based on historical performance, KBRA anticipates that the District will end annual operations with reserves that exceed budgeted levels.

FY 2017 Budget

The District is currently developing its FY 2017 budget. It is expected to be presented at a final public hearing on December 7, 2016 before it is approved by the Board of Commissioners on December 14, 2016. At this preliminary stage, the District is conservatively estimating a $22 million budget deficit, which currently includes a $10 million increase to pension contributions. However, the District plans to present a balanced budget by October 31, 2016 when it files an appropriation ordinance.

Liquidity Position

As of December 31, 2015, the District's total Governmental Funds cash and investments totaled $280.3 million which equated to 196 days cash based on total governmental fund expenditures. KBRA considers this level of liquidity to be quite high while noting the days cash on hand includes the working capital reserve balance of $96 million.

Based on the foregoing, KBRA views the District's Financial Performance and Liquidity as being consistent with an AA rating for this rating determinant. This rating level reflects the District's balanced operations and maintenance of a very strong reserve position as well as a demonstrated willingness to make adjustments throughout the year to maintain budget balance.

Bankruptcy Assessment

The District is established by Illinois state statute as a political subdivision and a taxing body coterminous with the City of Chicago. Based on consultation with external counsel, KBRA understands that to be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), an entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a municipal bankruptcy petition by the State in which it is located. The District, as a political subdivision of the State of Illinois, meets the definition of "municipality" under the Bankruptcy Code. Illinois state law, however, does not include provisions permitting the District to file a municipal bankruptcy petition without legislative approval. Such approval would require special action by the State Legislature. While no assurance can be provided as to whether or not the State of Illinois may adopt in the future a law that would permit the District to file for relief under Chapter 9, based on this threshold requirement of state authorization, and the importance of the Park District to the Chicago area, KBRA believes that bankruptcy risk for the District is remote.

Conclusion

Overall, KBRA has assigned a AA long-term rating and Stable Outlook to the Chicago Park District, IL's General Obligation Series 2016 Bonds consisting of the G.O. Limited Tax Park Bonds, Series 2016A; G.O. Limited Tax Refunding Bonds, Series 2016B; G.O. Limited Tax Refunding Bonds, Series 2016C; G.O. Unlimited Tax Refunding Bonds, Series 2016D (PPRT ARS); and G.O. Unlimited Tax Refunding Bonds, Series 2016E (Special Recreation Activity ARS).