

## CREDIT OPINION

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New Issue

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## Glenview (Village of), IL

New Issue - Moody's Assigns Aaa to Glenview, IL's GO Bonds; Outlook Stable

### Summary Rating Rationale

Moody's Investors Service has assigned a Aaa rating to the Village of Glenview's (IL) \$18.4 million General Obligation (GO) Refunding Bonds, Series 2016A. Concurrently, Moody's affirms the Aaa rating on the village's previously issued GO debt. Post-sale the village will have \$80.9 million of outstanding GO debt.

The Aaa rating reflects the village's large and affluent tax base favorably located in the Chicago (Ba1 negative) metropolitan area; healthy reserves and the financial flexibility derived from home-rule status; and manageable bonded debt burden and above average pension liabilities.

### Credit Strengths

- » Sizable tax base favorably located in the Chicago metropolitan area
- » Significant revenue raising flexibility derived from home-rule status
- » Very healthy reserves supplemented with significant alternate liquidity

### Credit Challenges

- » Above average pension liabilities with substantial recent growth
- » Dependence on an economically sensitive revenue streams
- » Recent declines in assessed valuation

### Rating Outlook

The stable outlook is based the village's consistently strong financial operations and robust economic profile that is likely to continue going forward. Also incorporated into the stable outlook is the expectation that officials will continue a take steps to address the village's biggest credit challenge, above average and growing pension liabilities.

### Factors that Could Lead to an Upgrade

- » Not applicable

### Factors that Could Lead to a Downgrade

- » Significant declines in reserves and liquidity

» Increase in the village's debt or pension liabilities

## Key Indicators

Exhibit 1

Glenview (Village of) IL	2011	2012	2013	2014	2015
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$ 7,351,853	\$ 6,882,004	\$ 6,882,004	\$ 6,083,289	\$ 6,151,560
Full Value Per Capita	\$ 166,580	\$ 154,728	\$ 153,400	\$ 133,993	\$ 135,497
Median Family Income (% of US Median)	191.2%	193.7%	190.0%	189.7%	189.7%
<b>Finances</b>					
Operating Revenue (\$000)	\$ 54,013	\$ 55,343	\$ 60,833	\$ 65,166	\$ 66,554
Fund Balance as a % of Revenues	44.7%	46.4%	52.4%	47.2%	39.2%
Cash Balance as a % of Revenues	33.5%	36.4%	43.9%	39.7%	32.5%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$ 99,115	\$ 89,415	\$ 97,456	\$ 93,232	\$ 85,218
Net Direct Debt / Operating Revenues (x)	1.8x	1.6x	1.6x	1.4x	1.3x
Net Direct Debt / Full Value (%)	1.3%	1.3%	1.4%	1.5%	1.4%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)		1.8x	1.9x	1.8x	2.2x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)		1.4%	1.7%	1.9%	2.3%

Source: audited financial statements, Moody's Investors Service and US Census Bureau

## Detailed Rating Considerations

### Economy and Tax Base: Affluent Chicago Suburb with Large Tax Base; Development Continues at Former Glenview Naval Air Station (GNAS)

The village's economic profile is expected to remain a credit strength given its favorable location, affluent demographic profile, and continued development of the former Glenview Naval Air Station (GNAS). Located roughly 20 miles north of downtown Chicago, the village is nestled among the area's most affluent communities. Resident income indices are well above the nation with median family income at 190% of the US. At 4.2%, the unemployment rate in the village of Glenview was below the state (5.6%) and national (5.1%) rates as of July 2016. At \$6.0 billion, the village's tax base is sizable though remains 33% below its prerecession peak.

Although residential property comprises over 70% of the village's EAV, Glenview also has a large office and retail presence. The village is the location of corporate headquarters for Astellas Pharma (A1 stable) 1,000 employees. Kraft Foods Group, Inc (Baa3) had been the largest employer in the village, but has reduced its presence to 550 employees from 1,440 after closing its management center. Kraft maintains a research and development facility in the village.

The village continues to benefit from the development of GNAS, which began in 1998. The project area, known as "The Glen", includes approximately 700 acres of single and multifamily residential development, office/warehouse space, retail development, an auto dealership and two golf courses with an aggregate equalized assessed value of nearly \$400 million.

### Financial Operations and Reserves: Ample Reserves; History of Willingness to Adjust Revenues and Expenditures

We expect the village to maintain its healthy financial position supported by conservative financial management with a record of making adjustments to revenues and expenditures to maintain stable financial operations. After posting five consecutive operating surpluses through fiscal 2013, management began to draw down General Fund reserves to be more in line with village's General Fund policy to maintain between 30% and 40% in reserves. After transferring \$3.4 million in 2014 and \$6.4 million in fiscal 2015 to the Capital Projects Fund, the village maintained an available Operating Fund balance of \$26.1 million, or an ample 40% of revenues.

The village is projecting a \$1.3 million decline in reserves in fiscal 2016, of which \$614,000 was planned for nonrecurring expenditures with the remainder due to sales tax revenues falling short of expectations. While increasing, sales tax receipts grew at a slower pace

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than had been projected. The village may draw down \$378,000 in reserves in fiscal 2017 in line with its reserve policy as management continues to invest in nonrecurring projects.

#### LIQUIDITY

The village's liquidity position is ample with significant available cash located outside of core operating funds. The Operating Fund cash balance stood at \$21.6 million, or a healthy 33% of revenues at the close of fiscal 2015. The village's Permanent Fund has \$13.4 million of cash. While the funds have been designated for capital and economic development initiatives per board policy, it can legally be transferred for general operations. Another \$12.5 million in cash is available in internal service funds. Those funds were primarily set aside to finance depreciation, but can also be transferred for general operations.

#### Debt and Pensions: Manageable Bonded Debt Burden; Above Average Pension Liabilities

The village's debt burden will likely decline in coming years given rapid principal amortization and an absence of future borrowing plans. The village's debt burden is moderate at 1.5% of full value, or 1.4 times operating revenue. Fixed costs inclusive of retirement expenses and debt service are typically around 15% of operating revenues. Over half of the village's outstanding GO debt is repaid from enterprise revenues or tax increment receipts primarily related to the development of The Glen. Officials report that all of the intended revenue sources have been sufficient to cover all debt service payments without any General Fund or property tax levy support.

#### DEBT STRUCTURE

All of the village's debt is fixed rated and long-term. Principal amortization is rapid with 89% of GO debt retired within ten years.

#### DEBT-RELATED DERIVATIVES

The village is not party to any derivatives.

The village has three bank loans outstanding totaling \$14.3 million with a local bank. The loans are subject to acceleration under an event of default, which includes a broadly worded adverse change provision. Under that provision, the lender could consider the village in default if it deemed there had been an adverse change to its financial position. Risk associated with that broadly worded provision is somewhat mitigated by the village's ample liquidity position.

#### PENSIONS AND OPEB

The village's unfunded pension liabilities grew substantially in 2015 despite a large lump sum payment to the plans. Village employees participate in one of two single employer defined benefit pension plans (police and fire) or the Illinois Municipal Retirement Fund (IMRF) a multiple employer agent plan. On a reported basis liabilities grew by 65%. The three year average Moody's adjusted net pension liability grew by 23% and will likely continue to grow over at least the next two years. The largest factors contributing to the growth in liabilities were a change in actuarial assumptions to entry age normal from projected unit cost and updating mortality tables.

The three year average adjusted net pension liability (ANPL) for the village is above average at \$144 million, equivalent to an above average 2.2 times revenue, or 2.4% of full value. Favorably, the village made a large lump sum payment of \$12 million in fiscal 2015 that was above and beyond the actuarial required contribution. The payment was made from the proceeds of selling a small village owned water utility. In total the village's fiscal 2015 contributions plans far exceeded our "tread water" indicator, with the village contributing 244% of this benchmark. The "tread water" indicator measures the annual employer contribution required to prevent the reported net pension liability from growing, under plan assumptions. After accounting for employee contributions, annual government contributions that tread water equal the sum of employer service cost and interest on the reported Net Pension Liability at the start of the fiscal year. Absent the lump sum payment, the village's contributions would have been on par with the tread water.

Looking ahead, the village plans to continue to make payments that at least meet actuarial recommendations and regularly evaluate the rate of return assumptions that impact the recommendation. The police pension fund rate of return was recently decreased to 6.75% from 7.0%. The village is also discussing the potential for additional lump sum contributions.

The village has an Other Post Employment Benefit (OPEB) unfunded liability of \$8.2 million, which primarily represents the implicit rate subsidy of the state mandate to allow retirees to stay on the village's health care plans.

#### Management and Governance: Demonstrated Willingness to Utilize Home Rule Authority

Illinois cities have an institutional framework score of "A," or moderate. Revenue predictability is moderate, with varying dependence on property, sales, and state-distributed income taxes. Revenue-raising ability is also moderate but varies. Home rule entities such as

Glenview have substantial revenue-raising authority. Expenditures are moderately predictable but cities have limited ability to reduce them given costs for pension benefits that enjoy strong constitutional protections. State shared income tax receipts have previously been proposed for cuts. Glenview received \$4.8 million in income tax receipts in fiscal 2015, equivalent to 7% of revenues.

Management has turned to a combination of revenue enhancements and expenditure reductions in recent years. Revenue generating measures include a 0.25% increase in the home rule sales tax rate implemented in July 2008, increases in the property tax levy to capture new development, and a new motor fuel tax added in 2010. The village is expecting a \$400,000 boost in revenues in fiscal 2017 due to a change in how the gas utility tax is charged. Officials are also considering an increase in the gasoline tax that would be dedicated to capital. The village made a number of expenditure adjustments during the economic downturn including layoffs, outsourcing, and the consolidation of services with neighboring communities. Transfers out comprised nearly 18% of General Fund expenses in fiscal 2015. The transfers could be reduced going forward given they were primarily for capital providing a degree of flexibility.

### Legal Security

Debt service on the 2016A bonds and the village's outstanding GO bonds is secured by the village's GO unlimited tax pledge in which the full faith, credit and resources of the government are pledged, and will be payable from a dedicated ad valorem tax, which may be levied without limitation as to rate or amount.

### Use of Proceeds

The bonds will advance refund a portion of the village's outstanding 2009A bonds for savings. Management reports that the escrow for the refunding will be deposited into US Treasury – State and Local Government Series.

### Obligor Profile

Glenview is a home rule village located in Cook County (A2 stable), approximately 20 miles north of downtown Chicago. The village's population is estimated at 45,400.

### Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

### Ratings

Exhibit 2

#### Glenview (Village of) IL

Issue	Rating
General Obligation Refunding Bonds, Series 2016A	Aaa
Rating Type	Underlying LT
Sale Amount	\$18,410,000
Expected Sale Date	10/04/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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