MOODY'S INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Glenview's (IL) $10.6M GO Bonds Series A & B

Global Credit Research - 06 Dec 2013

Aaa applies to $94 million rated GO debt including current offering

GLENVIEW (VILLAGE OF) IL
Cities (including Towns, Villages and Townships)
IL

Moody's Rating

ISSUE		RATING
General Obligation Bonds, Series 2013A		Aaa
Sale Amount	$6,190,000	
Expected Sale Date	12/10/13	
Rating Description	General Obligation	
Taxable General Obligation Bonds, Series 2013B		Aaa
Sale Amount	$4,440,000	
Expected Sale Date	12/10/13	
Rating Description	General Obligation	

Moody's Outlook

Opinion

NEW YORK, December 06, 2013 --Moody's Investors Service has assigned a Aaa rating to the Village of Glenview's (IL) $6.2 million General Obligation (GO) Bonds, Series 2013A and $4.4 million GO Bonds, Series 2013B. Moody's maintains the Aaa rating on the village's previously issued GO debt. Post-sale the village will have $94 million of outstanding GO debt. The Series 2013A and Series 2013B bonds are secured by the village's GO unlimited tax pledge. The Series 2013A bonds will finance a relocation of the Village Hall including an addition to its existing police facility. The Series 2013B bonds will finance improvements in the Waukegan Road/Golf Road Tax Increment Finance (TIF) district.

SUMMARY RATING RATIONALE

The Aaa rating reflects the village's large and affluent tax base favorably located in the Chicago (GO rated A3/negative outlook) metropolitan area; strong financial operations supported by healthy reserves and the financial flexibility derived from home-rule status; and above average though manageable debt burden.

STRENGTHS

- Sizable tax base favorably located in the Chicago metropolitan area

- Significant revenue raising flexibility derived from home-rule status

- Healthy General Fund reserves and alternate liquidity

CHALLENGES

- Dependence on an economically sensitive revenue streams

- Recent declines in assessed valuation

- Above average debt burden

DETAILED CREDIT DISCUSSION

LARGE AND AFFLUENT CHICAGO SUBURB; REDEVELOPMENT CONTINUES AT THE FORMER GLENVIEW NAVAL AIR STATION (GNAS)

Despite recent declines, the village's sizable $6.9 billion tax base is expected to maintain long term stability due to its favorable location, affluent demographic profile, and continued development of the former Glenview Naval Air Station (GNAS). The Village of Glenview benefits from its location within the Chicago metropolitan area, with a strong local transportation network which provides access to downtown Chicago, O'Hare International Airport (senior revenue rated A2/stable outlook), and other suburban employment centers. 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 national medians with per capita income and median family income at 194.8% and 202.9% of national medians, respectively, based on the American Community Survey five year estimates (2006- 2010). At 6.7%, the unemployment rate in the village of Glenview was well below the state (9.0%) and national (7.3%) averages as of September 2013.

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 US Inc. (senior unsecured rating Aa3/stable outlook), Mead Johnson Nutrition Co. (senior unsecured rated Baa1 / stable outlook), North American Paper, Beltone, and Anixter. Kraft Foods Group, Inc (senior unsecured debt rated Baa2/stable outlook) had been the largest employer in the village with 1,440 employees, but the company recently closed its management center. The center had employed 900 employees; some of those positions were moved to a facility in nearby Northfield while others were eliminated. We expect that the impact of the closure will be manageable due to the diversity of the tax base and the accessibility of employment opportunities in the area. The management center property was sold to a developer who secured two tenants for the site. Kraft maintains a research and development facility in the village.

The village experienced significant valuation growth throughout the last decade. The trend has since reversed with the tax base declining by a significant 24% from levy year 2009 to levy year 2012 as a result of the overall depreciation of housing values in the metro area. 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 multi-family residential development, office/warehouse space, retail development, and two golf courses with an aggregate equalized assessed value of over $400 million. The village continues to see residential and commercial development both at the Glen as well as in its downtown district.

STRONG FINANCIAL OPERATIONS WITH HEALTHY RESERVES; ABILITY AND WILLINGNESS TO ADJUST REVENUES AND EXPENDITURE

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. The village posted four consecutive operating surpluses growing the General Fund balance from $16.2 million, or a solid 32.7% of revenues in fiscal 2008 to $25 million, or a very healthy 46% of revenues in fiscal 2012. The strong operating results are attributable to revenue enhancements, expenditure reductions, and one-time revenues. Ongoing 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. Expenditure adjustments included layoffs, outsourcing, and the consolidation of services with neighboring communities. The largest non-recurring revenue sources were cell tower fees, annexation fees, and the implementation of GASB 54 as other funds were combined with the General Fund. Officials project the General Fund will end fiscal 2013 with an operating surplus of $4.7 million and the 2014 budget is balanced. The village also has significant alternate liquidity with $9.7 million combined in the village's Capital Equipment Replacement Fund and Facilities Replacement Fund. In addition, the Village Permanent Fund has $5.2 million of available cash.

The largest revenue source for the village is sales tax revenues, which comprised 36% of fiscal 2012 General Fund revenues. Despite an increase in the sale tax rate, receipts declined in 2008 and 2009 during the economic downturn. The more recent trend has been favorable with sales tax receipts increasing by 4.9% and 4% in fiscal 2011 and fiscal 2012, respectively. Going forward, officials expect continuation of the recent positive trend in receipts. Property taxes are the second largest revenue source for the village, comprising 19.6% of fiscal 2012 General Fund revenues. As a home-rule municipality, the village has significant financial flexibility as it is not subject to caps on its property tax levy and it has the power to impose a variety of taxes without voter approval.

MODERATE DEBT BURDEN WITH RAPID PRINCIPAL AMORTIZATION

The village's debt burden is expected to remain manageable based on the village's limited future borrowing plans. The village's direct debt burden and overall debt burden are above average at 1.8% of full value and 4.3%, respectively. Approximately 59% 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 service as a percentage of operating expenditures was low at 3.7% in fiscal 2012. Principal amortization of direct obligations is rapid, with 84% retired within ten years.

The village had a bullet maturity of $28.1 million due in 2013 for its Series 2009E Refunding Bonds originally used for a land purchase around at the Glen. The village paid the bullet maturity with a one-year loan that matures November 25, 2014 and carries a variable interest rate tied to Libor. The village is finalizing the sale of the property for $22 million, which it will utilize to pay off the majority of the loan. The remaining $6 million of the bank loan will be paid over five years either through an extension of the bank agreement or GO bonds. The remaining debt is planned to ultimately be retired by tax increment property tax receipts.

ABOVE AVERAGE PENSION OBLIGATIONS

Glenview has an elevated employee pension burden, based on unfunded liabilities for its participation in two single-employer plans and its share of a multi-employer agent plan. Reported unfunded pension liabilities consist primarily of $5.6 million for the village's single-employer police pension plan and $18.4 million for the village's firefighter's pension plan. In addition the village had a $16.1 million unfunded liability for its portion of the statewide Illinois Municipal Retirement Fund (IMRF) as of December 31, 2011.

Moody's fiscal 2011 adjusted net pension liability (ANPL) for Glenview, under our methodology for adjusting reported pension data, is $102 million, or an above average 1.9 times operating revenues compared with the median of less than 1.0 times operating revenues for rated local governments. The liability has been adjusted downward to account for liabilities associated with the village's enterprise operations and library component unit. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the village's reported liability information, but to improve comparability with other rated entities.

The village has consistently contributed at or above the annual required contribution (ARC) for its single employer police and fire pension plans. Although the village's police and fire pension plans are single employer plans, benefits and employee contribution levels are established by the State of Illinois (GO rated A3/negative outlook). State statute also outlines minimum employer contributions, which the village has consistently exceeded. Pension liabilities are a notable fixed cost for the village. The village contributed $5.8 million, equivalent to 11% of operating revenues, toward funding its annual required contribution (ARC) in fiscal 2012, not including contributions from the water and sewer enterprise funds or library component unit. The village finances payments to its police and firefighters' pension plans through an unlimited levy.

WHAT COULD MOVE THE RATING DOWN

- Significant declines in reserves and liquidity

- Erosion of the tax base or socio economic profile

- Large increase in the Village's debt burden

KEY STATISTICS

2010 Census population: 44,692 (6.8% since 2000)

2012 Full value: $6.9 billion (5 year average annual decrease of 3.4%)

2012 Full value per capita: $153,987

2006-2010 Median family income: $127,815 (202.94% of US; 187.3% of state)

2006-2010 Per capita income: $53,246 (194.8% of US; 185% of state)

Fiscal 2012 General Fund balance: $25.8 million (46% of General Fund revenues)

Moody's ANPL (2011): $102 million (1.9 times operating revenues)

Direct debt burden: 1.8%

Overall debt burden: 4.3%

Amortization of principal (10 years): 83.6%

Post-sale total GO debt outstanding: $94 million

Loans outstanding: $28.2 million

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

David Levett
Lead Analyst
Public Finance Group
Moody's Investors Service

Edward Damutz
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA