



New Issue: **Moody's assigns Aaa rating to the Village of Glenview's (IL) \$18.6 million General Obligation Refunding Bonds, Series 2012A**

Global Credit Research - 21 May 2012

Aaa rating applies to \$128.2 million of post-sale GOULT debt

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

Moody's Rating

ISSUE	RATING
General Obligation Refunding Bonds, Series 2012A	Aaa
Sale Amount	\$18,660,000
Expected Sale Date	05/22/12
Rating Description	General Obligation

Moody's Outlook N/A

Opinion

NEW YORK, May 21, 2012 --Moody's Investors Service has assigned a Aaa rating to the Village of Glenview's (IL) \$18.6 million General Obligation Refunding Bonds, Series 2012A. The Aaa rating applies to the village's \$128.2 million outstanding post-sale general obligation debt.

SUMMARY RATINGS RATIONALE

Secured by the village's general obligation unlimited tax pledge, proceeds from the Series 2012A bonds will refund the village's outstanding Series 2004A General Obligation Bonds. The refunding will restructure the 2012 through 2014 maturities of the Series 2004A bonds in order to level all the debt service payments over the remaining life of former Glenview Naval Air Station Tax Increment Financing (TIF) District. The Series 2004A bonds were originally issued to finance a portion of the redevelopment costs of the former Glenview Naval Air Station. The Aaa rating reflects the village's large and affluent Chicago (General Obligation rated Aa3/ negative outlook) area tax base with a diverse economy; strong financial operations with financial flexibility derived from home-rule status; and a moderate debt burden with rapid principal amortization.

STRENGTHS

- Favorable location in the Chicago metropolitan area
- Significant revenue raising flexibility derived from home-rule status
- Healthy General Fund reserves

CHALLENGES

- Dependence on an economically sensitive revenue stream
- Recent decline in equalized valuation (declining by 9.56% from 2009 level)
- Above average debt burden with a balloon payment scheduled in 2013

DETAILED CREDIT DISCUSSION

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

The village's economy should remain sound over the long term due to its location 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 (airport revenue debt rated Aa3/negative outlook), and other suburban employment centers. The village is located roughly 20 miles north of downtown Chicago and is nestled among the area's most affluent communities. Resident income indices well exceed national medians with per capita income and median family income at 194.8% and 202.94% of national medians, respectively, based on the American Community Survey five year estimates (2006- 2010). Additionally, median home values of \$551,700 were 207.5% of the state level, reflecting the long-standing desirability of real estate in the area.

The village's large \$8.2 billion tax base is diverse, with high quality housing stock responsible for 73% of full valuation and commercial and industrial making up 19.8% and 6.9% (2009), respectively. Glenview is home to the corporate headquarters of Kraft USA (senior unsecured debt rated Baa2/developing outlook pending additional details regarding spin off), one of its largest taxpayers (1.3% of 2010 assessed valuation). Kraft Foods Inc. recently announced intentions to spin off into two independent public companies before year end 2012. Kraft expects to achieve this new structure through a tax-free spin-off of the North American grocery business. We will continue to monitor the spin-off to determine the impact, if any, on the village.

After experiencing tax base growth over the last several years, averaging 6.2% annually between 2004 and 2009, mainly from growth in residential and commercial development, the village experienced a decline of 9.56% in equalized value which officials mostly attribute to the overall economic downturn. Despite the decline in the tax base, the village should continue to benefit from the redevelopment of GNAS into significant residential and commercial property generating \$500 million in tax increment valuation since its 1998 inception. The project area now includes approximately 700 acres of single and multi-family residential development; office/warehouse space, mixed-use or retail development, and two golf courses. Additionally, Astellas Pharma US Inc. (senior unsecured rating Aa3/ stable outlook), a pharmaceutical company, recently completed construction on their corporate headquarters, which opened in January of 2012. As the area nears full build out, building permits have slowed from 2,837 permits in 2008 to 2,535 permits in 2010. However, village officials indicate that building permits are improving as other redevelopment and growth opportunities are identified.

SOUND FINANCIAL OPERATIONS EXPECTED TO CONTINUE; FINANCIAL FLEXIBILITY DERIVED FROM HOME-RULE STATUS

The village's financial operations should remain sound given the continued strength in operating revenues supported by healthy reserves and considerable revenue raising options. In fiscal 2010, the village ended the year with an operating surplus of \$1.9 million closing with a General Fund balance of \$22.1 million, or a healthy 40.7% of General Fund revenues. The surplus in fiscal 2010 was due mainly to the receipt of approximately \$2.5 million of non recurring revenues, such as \$1.5 million in building permit revenue for the corporate headquarters of Astellas Pharma US Inc. Additionally, the village passed a \$0.02 per gallon local motor fuel tax at the end of 2009 for capital projects, which generated revenue of approximately \$290,000 in 2010.

After initially budgeting for an operating deficit of approximately \$1.3 million, estimated results for fiscal 2011 indicate an operating surplus of approximately \$1.0 million, increasing the General Fund balance to an estimated \$23.1 million, or 42% of unaudited 2011 General Fund revenues. Officials noted positive budget variances in sale tax revenues and property tax collections as well as expenditures trending slightly under budget. For the current year fiscal 2012, the village budgeted for a modest \$15,000 shortfall that village officials expect to remediate through various budget controls. Management expects to maintain compliance with its formal minimum reserve policy to maintain between 30% and 40% of General Fund expenditures, a level that current reserves exceed.

The operating surpluses in recent years are in part a result of positive budget variances in the village's sales tax receipts. Sales tax revenues are the largest General Fund revenue stream, making up approximately 34% of total operating revenues in fiscal 2010. Historically, the growing retail sector along with a home-rule sales tax has allowed for strong growth in sales tax revenues. Sales tax revenues declined by 3.55% in 2008 in line with broader economic trends. In an effort to diversify revenue streams, village officials increased the home rule sales tax rate by 0.25% in July 2008. Despite the home rule sales tax rate increase, the village's total (Municipal plus Home Rule) sales tax collections declined by 4.1% in fiscal 2009. However, reflecting some recovery in the village's economy, the fiscal

2010 total sales tax collections increased by 3.6% to \$18.5 million from fiscal 2009 collections. Estimated results for fiscal 2011 indicate an increase in total sales taxes of 3.4% to \$19.1 million over fiscal 2010 collections. Officials noted that fiscal 2012 year to date numbers show an increase over 2011 actual for the same time period. Going forward, officials indicate that sales tax receipts are starting to stabilize with modest growth projected in the near term. Notably, the village has substantial revenue-raising flexibility given its home-rule status which allows it to increase taxes and/or fees without voter approval.

The village's full time employees participate in the Illinois Municipal Retirement Fund (IMRF), which as of December 2010 was underfunded, with a 61.37% funded ratio. The Unfunded Actuarial Accrued Liability (UAAL) of the village's IMRF obligations was relatively modest at \$15.7 million as of December 2010.

MODERATE DEBT BURDEN WITH RAPID PRINCIPAL AMORTIZATION

The village's moderate debt burden is expected to remain manageable due to continued tax base growth and significant support from non-debt service levy sources. The village's overall debt burden is slightly above average at 3.5% of full valuation and primarily due to debt issued by overlapping entities, including the county, park district, and multiple school districts. While the village's direct debt is slightly above average at 1.6% of full value, Moody's notes that over 67% of the village's outstanding direct debt is repaid from tax increment and utility revenues, substantially reducing the burden debt service levy. Principal amortization of direct obligations is rapid, with 85.6% retired within ten years. However, the village has a bullet maturity of \$28.1 million due 2013 related to the Series 2009E Refunding Bonds. The village currently plans to pay the debt service payment on the Series 2009E at maturity in fiscal 2013. Officials report no major borrowing plans expected over the near term. All of Glenview's debt is in fixed rate mode, and the village is not a party to any interest rate swap agreements.

What could change the rating- DOWN

-Inability to close budgetary gaps leading to deterioration of financial reserve levels below similarly rated entities

-Erosion of the local economy and tax base reflected in increased unemployment levels and declining tax base valuation

KEY STATISTICS:

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

2010 Full value: \$ 8.2 billion

2010 Full value per capita: \$184,070

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)

Overall debt burden: 3.5% (1.6% direct)

Amortization of principal (10 years): 85.6%

FY2010 General Fund balances: \$22.1 million (40.7% of General Fund revenues)

FY2011 (unaudited) General Fund balance: \$23.1 million (42% of General Fund revenues)

Post-sale general obligation unlimited tax-backed debt: \$128.2 million

RATING METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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