

RatingsDirect®

Summary:

Glencoe Village, Illinois; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile

Glencoe Vill

Long Term Rating

AAA/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' long-term rating on Glencoe Village, Ill.'s general obligation (GO) bonds. The outlook is stable.

The rating reflects our view of the village's:

- Participation in the deep and diverse Chicago metropolitan statistical area economy,
- Very strong wealth and income levels,
- Strong financial operations with strong reserves, and
- Low overall net debt burden as a percentage of market value.

Revenue from the village's unlimited-tax GO pledge secures the bonds.

Glencoe Village serves an estimated population of 8,723 in Cook County and is located in northern Cook County on Lake Michigan, 21 miles from downtown Chicago. The village is one of the Chicago area's wealthy North Shore communities. The village is home to a number of professionals, commodity and financial traders, and corporate managers, many of whom commute to downtown Chicago by the local Metra train. The village's housing stock is very strong, with 68% of homes valued at more than \$500,000 and 21% valued at more than \$1 million, according to the 2000 U.S. Census. Income levels in the village are very strong, in our opinion, with median household effective buying income at 315% of national levels. Market value has grown by an annual average of 8.4% since 2008 to \$3.14 billion in fiscal 2012, which we consider extremely strong at \$359,925 per capita.

In our view, the village's finances are very strong despite a slight deficit in fiscal 2012. At fiscal year end, Feb. 29, 2012, the village posted an \$85,000 deficit in the general fund because of decreased sales tax and building-permit-related revenue, bringing the available general fund balance to \$2.2 million, which, in our view is very strong at 15.1% of expenditures. Management anticipates at least break-even results for fiscal 2013 because of a rebound in some of the leading revenue streams. Management does not plan to use reserves in the near future.

We consider the village's management practices "good" under our Financial Management Assessment (FMA) methodology. An FMA of "good" indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.

We consider the village's overall net debt burden, including overlapping debt, to be high on a per capita basis, at \$9,535, and low as a percentage of taxable market value at 2.6%. Management attributes much of the village's overall

debt to overlapping entities such as the Cook County Forest Preserve District, a local school district, and the Metropolitan Water Reclamation District. We consider the village's direct debt to be low at 0.3% of taxable market value and \$942 per capita. The size of the overall debt burden on a per capita basis is ameliorated by the village's very strong income levels. Although debt service carrying charges were a moderate 11.8% of 2012 governmental expenditures, amortization of the village's \$10.03 million GO debt is very rapid, with all of its direct debt scheduled to mature within 10 years. Most of the village's 10-year capital plan is financed and budgeted on a pay-as-you-go basis, but the village anticipates issuing debt within the year to finance several stormwater and sewer projects.

The village participates in the Illinois Municipal Retirement Fund, a police pension fund, and a firefighters' pension fund, and contributed \$2.45 million in fiscal 2012. The village also contributes to an other postemployment benefits (OPEB) plan, which is funded on a pay-as-you-go basis. Most recently, in 2012, the village contributed \$49,090. As of the most recent valuation date, Feb. 29, 2012, the village's unfunded actuarial accrued liability for OPEB was \$2.07 million. The combined pension and OPEB contributions represent 13.1% of total government expenditures for fiscal 2012.

Outlook

The stable outlook reflects our anticipation that the village will maintain its strong financial operations through conservative budgeting practices. We do not anticipate lowering the rating within the two-year outlook period, given that we anticipate that the village will keep at least a strong level of reserves as it weathers possible further challenges with economically sensitive revenue such as sales taxes and building permit revenue. The village's participation in the deep and diverse Chicago metropolitan area economy provides further stability to the rating.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Financial Management Assessment, June 27, 2006

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