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Summary:

Glencoe Village, Illinois; General Obligation

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Credit Profile

US\$7.4 mil GO bnds ser 2009 dtd 02/01/2009 due 12/01/2012-2018

Long Term Rating AAA/Stable New

Glencoe Vill

Long Term Rating AAA/Stable Affirmed

Rationale

The 'AAA' standard long-term rating on the village of Glencoe, Ill.'s series 2009 general obligation (GO) bonds and previously issued GO bonds reflects, in Standard & Poor's Ratings Services' opinion, 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 percent of market value.

The village will use series 2009 bond proceeds for various improvements to its infrastructure and to replace safety equipment. The village's unlimited-tax GO pledge secures the series 2009 bonds, which voters approved in November 2008.

Located in northern Cook County on Lake Michigan, 21 miles from downtown Chicago, Glencoe, with an estimated population of 9,007, 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 via 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 are very strong, with 2007 median and per capita effective buying income at 319% and 390%, respectively, of the national levels. The village's market value grew at an average rate of 15.3% annually from fiscals 2005-2008 to \$1.1 billion, which is an extremely strong \$369,471 per capita. The tax base is primarily residential (95%) and is very diverse, with the 10 largest taxpayers accounting for only 3.3% of equalized assessed value.

The village is subject to a levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction. The village's financial operations are in excellent shape in spite of this revenue restriction, due to good financial management practices that use 10-year financial planning, and revenue flexibility provided by the village's utility and telecommunications taxes. The village's general fund balance for the fiscal year ended Feb. 29, 2008, decreased slightly to \$3.8 million, or a strong 25.3% of expenditures and transfers. Of that amount, \$2.1 million (14.1% of operating expenditures) was unreserved, well in excess of the village's 10% reserve target. Liquidity is good, with \$3.88 million of general fund cash reported at the end of fiscal 2008, representing 93 days' cash on hand. The village projects that it will report a \$177,000 general fund surplus for fiscal 2009. If sales tax receipts come in at or above the budgeted level, the village expects that the surplus will be greater.

The village's financial management practices are considered "good" under Standard & Poor's Financial

Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Highlights of the village's practices include monthly reporting of budget-to-actual results to the board, multiyear capital and financial plans, and a board-approved policy to maintain fund balances at 10% of operating expenditures or more than \$1 million.

The village's overall debt burden including overlapping debt is high at \$8,206 per capita, but low as a percent of market value at 2.2%. 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 14.1% of operating expenditures, amortization of the village's \$14.8 million of outstanding 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; much of it expected to be covered by sales taxes from several auto dealers located in the village. This bond issue will fund projects equaling \$7.4 million of the total \$24.4 million of scheduled projects from the capital plan, relieving some pressure on the general fund expenditures. There are no additional debt plans at this time.

Outlook

The stable outlook reflects our expectation that the village will continue to maintain its strong financial operations through continued conservative budgeting practices. We also expect that the village will keep at least a strong level of reserves as it manages possible challenges faced with economically sensitive revenues such as sales and utility taxes. The village's participation in the deep and diverse Chicago metropolitan area economy provides further stability to the rating.

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