



New Issue: Moody's assigns Aa1 rating to Village of Orland Park's (IL) \$25.4 million General Obligation Refunding Bonds, Series 2012B-D

Global Credit Research - 14 Nov 2012

Affirmation of Aa1 rating applies to \$94.5 million of post-sale general obligation debt

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

Moody's Rating

ISSUE	RATING
General Obligation Refunding Bonds, Series 2012D	Aa1
Sale Amount	\$5,360,000
Expected Sale Date	11/28/12
Rating Description	General Obligation
Taxable General Obligation Refunding Bonds, Series 2012B	Aa1
Sale Amount	\$18,000,000
Expected Sale Date	11/28/12
Rating Description	General Obligation
Taxable General Obligation Refunding Bonds, Series 2012C	Aa1
Sale Amount	\$2,000,000
Expected Sale Date	11/28/12
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, November 14, 2012 --Moody's Investors Service has assigned a Aa1 rating to the Village of Orland Park's (IL) \$18 million Taxable General Obligation Refunding Bonds, Series 2012B, \$2 million Taxable General Obligation Refunding Bonds, Series 2012C, and \$5.4 million General Obligation Refunding Bonds, Series 2012D. Concurrently, Moody's has affirmed the Aa1 rating on the village's outstanding general obligation debt. Post-sale, the village will have \$94.5 million of general obligation debt outstanding.

SUMMARY RATINGS RATIONALE

The bonds are secured by the village's general obligation unlimited tax pledge. Proceeds of the Series 2012B and Series 2012C bonds will repay a portion of the balance of a loan agreement in the form of a revolving line of credit used for local economic development initiatives. While the bonds benefit from the village's general obligation unlimited tax pledge, debt service is expected to be paid from developer payments and tax increment revenues associated with the village's Main Street Triangle Tax Increment Financing (TIF) District. Proceeds of the Series 2012D bonds will currently refund a portion of the village's outstanding General Obligation Bonds, Series 2004, for estimated savings. The Aa1 rating reflects the village's sizeable tax base located within commuting distance to Chicago (general obligation rated Aa3/negative outlook); strong financial operations characterized by healthy reserves; and average debt burden with additional future borrowing planned.

STRENGTHS

- Sizeable economic base supported by significant commercial presence
- Strong financial operations characterized by healthy reserves

CHALLENGES

- Reliance on economically sensitive sales tax revenues
- Delayed state revenue payments

DETAILED CREDIT DISCUSSION

SIZEABLE TAX BASE BENEFITS FROM LARGE COMMERCIAL PRESENCE

The village's tax base is expected to stabilize as commercial development continues to expand upon the village's significant retail presence. Located 25 miles south of Chicago (GO rated Aa3/negative outlook), primarily in Cook County (Aa3/negative outlook) and with a modest portion in Will County (Aa1), the village benefits from its proximity to the city as well as the availability of land for development. The village continues to experience population growth, with a 2010 Census population of 56,767 (11.1% increase from 2000). The village's tax base grew at a strong average annual rate of 9.6% from 2004 to 2009. However, as housing values contracted during the broader national recession, tax base valuations declined by 1.0% and a more sizable reassessment decline of 14.5% in 2010 and 2011, respectively. Despite the decline, the village's full valuation remains a sizeable \$7.1 billion.

While mostly residential, the village has a significant commercial and retail sector, anchored by Orland Square Mall, other major shopping centers, and large department stores which generate significant sales tax revenue for the village. Orland Square Mall serves as the village's largest property taxpayer, comprising 5.1% of 2011 assessed valuation. Village officials report operations at the mall remain stable, as a significant renovation was recently completed by the operator, Simon Property Group, L.P. (long term rated A3/stable outlook). The village is currently in the process of developing the Main Street Triangle TIF district, adjacent to a Metra commuter rail station. This development will be the focus of anticipated future borrowing, and will include a mixed use retail, commercial, and luxury apartment residential center in the village's downtown area. Socioeconomic indicators are above state averages, with median family and per capita income values at 139.5% and 131.9% of state medians in the 2000 Census, respectively. At 6.5% in September of 2012, the village's unemployment rate tracked below the state rate (8.1%) and near the national rate (7.6%) for the same time period.

STRONG FINANCIAL OPERATIONS CHARACTERIZED BY HEALTHY RESERVES

Healthy reserve levels and a historical track record of conservative budgeting practices point to the continuation of strong financial operations. Following the implementation of expenditure controls such as a hiring freeze, the village experienced a General Fund operating surplus of \$2.3 million in fiscal 2010. Officials attribute the surplus to better than expected sales and state income tax revenues, as well as each department's expenditures ending the year under budget. As a result of the positive operations in 2010, the village's General Fund balance increased to \$27.7 million, or a sizeable 70.6% of revenues. However, the unreserved General Fund balance was \$14.1 million, or a still strong 36.1% of revenues, at the end of fiscal 2010. The difference in unreserved fund balance is primarily attributable to an advance from the General Fund to the Main Street Triangle TIF fund for the purpose of purchasing properties and developing infrastructure in the TIF area. The TIF fund is expected to repay this amount with land sale proceeds and future incremental property tax revenues generated within the district. Favorably, the village's reserves currently exceed its policy of maintaining at least 20% of expenditures in undesignated reserves.

Audited results from fiscal 2011 depict favorable operations. The village's General Fund recorded a \$1.1 million operating surplus. General Fund reserves stood at a healthy \$25.6 million, or 50.9% of revenues. Officials attribute the operating surplus to conservative budgeting for sales tax revenues and the close monitoring of departmental expenditures. The state delayed its transfers of state shared income tax to the village by approximately four months throughout the year. Based on year to date trends for fiscal 2012, management expects to end the year with an \$860,000 operating surplus as a result of sales tax revenues exceeding budgeted expectations. The village's financial position is expected to remain strong due to management's commitment to maintaining sound liquidity, as well as the revenue raising flexibility afforded by home-rule status.

The village receives the majority of its operating revenue from sales tax receipts (53.4% in fiscal 2011), followed by property taxes (15.3%) and state shared income taxes (11.9%). The village has used sales tax revenue for general

operations and revenues from a separate 0.75% home rule sales tax to fund annual capital expenditures such as road and park improvements, and other maintenance needs. While sales tax revenues are economically sensitive and considered a more volatile revenue source, the village has benefitted from budgeting conservatively for this revenue stream in light of the economic downturn. Following three consecutive years of declines, the village experienced an increase in sales tax revenues of 4.7% in 2011.

AVERAGE DEBT BURDEN ; ADDITIONAL BORROWING EXPECTED FOR DOWNTOWN TIF

The village's debt burden is expected to remain manageable due to continued tax base growth and the availability of land for future development. At 1.3% (3.7% overall), the village's direct debt burden is average. A significant portion of the village's overall debt is attributable to overlapping school districts. The village plans to issue up to \$20 million in additional debt in early 2013 as part of its efforts to develop the Main Street Triangle TIF area with a mix of luxury apartments and commercial presence. This additional debt would increase the village's direct debt burden to approximately 1.6%, based on 2011 values. While the debt will be secured by the village's general obligation pledge, officials expect that tax increment revenues will contribute to debt service payments. All of the village's debt is fixed rate and the village is not party to any interest rate swap agreements.

WHAT COULD CHANGE THE RATING - UP

-Continued expansion of the village's tax base combined with continued improvement in residential income indices

WHAT COULD CHANGE THE RATING - DOWN

-Significant declines in General Fund reserves and liquidity

-Significant tax base declines accompanied by deteriorating sales tax revenues

KEY STATISTICS:

2010 Census population: 56,767 (11.1% increase from 2000)

2011 Full valuation: \$7.1 billion

2011 Full value per capita: \$125,144

2006 - 2010 Per capita income: \$36,921 (128.3% of state / 135.1% of nation)

2006 - 2010 Median family income: \$96,740 (141.8% of state / 153.6% of nation)

Direct debt burden: 1.3% (3.7% overall)

Principal amortization (10 years): 87%

Fiscal 2011 General Fund balance: \$25.6 million (50.9% of General Fund revenues)

Post-sale general obligation unlimited tax debt outstanding: \$94.5 million

PRINCIPAL 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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