

RatingsDirect®

Orland Park Village, Illinois; General Obligation

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Orland Park Village, Illinois; General Obligation

Credit Profile		
US\$18.0 mil taxable GO rfdg bnds ser 2012B due 12/01/2022		
<i>Long Term Rating</i>	AA+/Stable	New
US\$5.36 mil GO rfdg bnds ser 2012D due 12/01/2018		
<i>Long Term Rating</i>	AA+/Stable	New
US\$2.0 mil taxable GO rfdg bnds ser 2012C due 02/01/2017		
<i>Long Term Rating</i>	AA+/Stable	New
Orland Pk Vill GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Orland Pk Vill GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating to the village of Orland Park, Ill.'s series 2012B taxable general obligation (GO) refunding bonds, series 2012C taxable GO refunding bonds, and series 2012D GO refunding bonds.

At the same time, Standard & Poor's affirmed its 'AA+' long-term rating and underlying rating (SPUR) on the village's existing GO debt. The outlook on all the ratings is stable.

The rating reflects our view of the village's:

- Participation in the Chicago area's deep and diverse economy;
- Large and stable tax base;
- Very strong wealth and income levels;
- Stable financial operations supported by good management practices and very strong reserves.

These strengths are partially limited by the village's heavy reliance on economically sensitive sales tax revenues to support operations; however, very strong reserves and recent positive revenue trends mitigate this factor, to an extent. An already moderate debt burden and moderate carrying charges, which are expected to grow with future debt plans, present additional limiting credit considerations.

The bonds are a GO of the village, payable from unlimited ad valorem taxes levied against all taxable property. Management intends to use series 2012B and series 2012C bond proceeds to repay draws on a revolving line of credit in relation to an ongoing mixed-use development project. Series 2012D bond proceeds are intended to current refund the village's outstanding series 2004 GO refunding bonds.

Orland Park is an affluent, home-rule community 26 miles southwest of downtown Chicago in Cook County; a small portion of the village (less than 1% of the tax base) is in Will County. The village has experienced rapid growth during

the past 40 years; its population grew to more than 51,000 in 2000 from 6,900 in 1970. According to the 2010 U.S. Census, the village's population grew another 11.1% in the past 10 years to 56,767. However, we observe that future growth prospects are starting to taper as the village nears build-out. Economic development efforts, both new construction and redevelopment, are focused on continued expansion of the village's retail base, which is a regional draw and solidifies its status as one of the largest generators of sales-tax revenue in the state. Retail sales per capita amount to 188% of national levels.

Equalized assessed valuation (AV) grew less than 1.0% from levy year 2008 to 2010, before declining 13.8% in 2011 to \$2.37 billion. Roughly one-third of the tax base is made up of commercial and industrial properties, and residential properties account most of the remaining two-thirds. Management credits the decline to falling home value assessments. Fair market value is estimated at \$7.1 billion, or \$125,019 per capita, which is extremely strong, in our opinion. The village's property tax base is very diverse, with the 10 leading taxpayers accounting for just 10.8% of equalized AV (but the leading taxpayer, a mall, accounts for 5.1% of AV).

The village's income levels are very strong, in our view, with median household effective buying income at 142% and 147% of the state and national averages, respectively. Easy access to the greater Chicago area economy's employment base contributes to below-average unemployment. The village's unemployment for 2011 averaged 8.2%, below Cook County and state rates, which were 10.4% and 8.9%, respectively.

In our view, Orland Park's finances are stable, due in part to proactive management and conservative budget practices. Furthermore, home-rule status provides increased taxing and borrowing capacity, as well as a wider array of tax sources with fewer limitations compared to entities without this status. While the village imposes its own 0.75-cent home-rule-sales tax and a property tax, there are other taxes it does not impose, such as a utility tax, food and beverage tax, or transfer tax.

The village's budget relies heavily on economically sensitive sales tax revenues, which decreased during the economic downturn but appear to be stabilizing. Sales tax revenues derive from a share of the state's 1% municipal sales tax, as well as the aforementioned home-rule-sales tax. The village collected \$27.1 million of sales tax revenues for the 12 months ended June 30, 2012. While this amount is still below prerecessionary levels, it represented 1.3% year-over-year growth, and was the second consecutive year of growth.

The village uses the majority of its home-rule-sales taxes, which account for about a third of overall sales tax revenues, to pay for street improvements and other infrastructure projects. The state municipal sales taxes mainly flow to the general fund. The general fund received \$17.5 million of sales tax revenues in 2011, which accounted for 44% of overall general fund revenues.

As of its most recently audited fiscal year-end (Dec. 31, 2011), the village posted a \$1.1 million surplus, contributing to the combined assigned and unassigned general fund balance of \$25.6 million, or a very strong 68.7% of fund expenditures. The Home Rule Sales Tax and Main Street Triangle TIF funds, both historically accounted for as special revenue funds, are now reported within the general fund, under Governmental Accounting Standards Board Statement No. 54 provisions. The \$11.4 million increase in the available general fund balance from fiscal 2010 to fiscal 2011 is largely attributable to reserves previously stated under the Home Rule Sales Tax fund. However, management expects

this fund to revert to separate accounting in fiscal 2012, thus bringing the general fund balance closer to fiscal 2010 levels.

Orland Park budgeted the use of about \$3.3 million in general fund reserves for fiscal 2012, yet anticipates reporting at least break-even results. According to management, the budgeted result was part of an effort to bring reserves more in line with policy levels, and the draw reflected the planned spending of previous years' surplus revenues to rehire previous years' vacant positions. Recent surpluses, as well as the projected fiscal 2012 positive budget variance, largely reflect revenues outperforming conservative estimates and continued vacant positions. The village's council-approved fund balance policy calls for the general fund to be maintained at a level equal to at least 20% of annual expenditures, with a goal of 25%. In our opinion, this reserve policy and a historical maintenance of reserves above this level helps provide cushion against fluctuations in sales tax revenues.

We consider Orland Park's management practices "good" under Standard & Poor's Financial Management Assessment, indicating that practices exist in most areas, although not all may be formalized or regularly monitored by management. The village does not currently produce a multiple-year financial plan. However, management tells us it is developing a financial planning tool. Capital budgeting is done with the help of a 10-year capital plan updated annually and covers buildings, streets, water, sewer, and other village facilities. The village maintains formal reserve and investment policies, and reports to the council on its investment portfolio and budget progress on a monthly basis.

Debt And Other Liabilities

Orland Park independently manages a defined-benefit pension for its eligible police department employees and, similar to many other plans, has experienced a market-driven drop in assets. The unfunded actuarially accrued liability (UAAL) was \$16.1 million, which was adequately funded at 76% as of Dec. 31, 2010. By comparison, as of Sept. 30, 2006, the UAAL was \$8.2 million and 83% funded. The village's annual payments to the police pension are based on an actuarially determined annual required contribution (ARC). The village also participates in the Illinois Municipal Retirement Fund, a multiple-employer pension plan. The UAAL for the village's share of the system was \$13.2 million, which was 68% funded as of Dec. 31, 2011. By comparison, the UAAL was \$3.6 million as of Dec. 31, 2006, and it was 89% funded. The village made its required \$3.5 million in contribution payments to both plans in fiscal 2011 (5.1% of total government funds expenditures). Retirees in the police pension program receive health care benefits equal to the cost of HMO coverage; all other retirees are allowed to stay on the village's health insurance plan, but they are responsible for paying the entire insurance premium themselves.

Including the series 2012B-D refunding, overall debt levels remain moderate, in our opinion, at \$4,640 per capita and 3.7% of market value. Debt service carrying charges were moderate at 12.7% of total governmental funds expenditures, excluding capital outlay, in fiscal 2011. This is partly mitigated by above-average debt amortization, since 88% of GO debt outstanding is due to be retired in 10 years and 100% due to be fully amortized in 20 years.

The village is nearing completion on the construction of a mixed-use redevelopment project, anticipated to be financed by up to \$65 million in GO bonds and privately placed bank loans issued within the next 12 months. The series 2012B and 2012C bonds represent the initial portion of the \$65 million project. Factoring in expected future

debt, we expect the debt burden to remain at a moderate level as a percent of market value, yet grow to a high per capita level. The village anticipates much of the annual debt service related to the new project to be funded through developer agreements; however, should development not pan out at forecasted levels, the village would likely need to either increase property taxes or make budget adjustments to bridge potential debt service shortfalls.

Outlook

The stable outlook is based on Standard & Poor's expectation that Orland Park will maintain steady financial operations and at least very strong reserves that are in line with policy levels. Rating stability is also embedded in the village's participation in the diverse Chicago metropolitan area economy, which provides a deep and steady platform for long-term property and sales tax stability.

However, should the budget fall out of balance, whether due to a prolonged return to revenue growth or potential shortfalls in revenues intended to pay debt service, rating pressure could arise. We do not expect the rating to change within the two-year outlook horizon, however, given management's track record of making timely adjustments and positive sales tax trends over the past two years.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of November 15, 2012)

Orland Pk Vill GO

Unenhanced Rating

AA+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

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