

CREDIT OPINION

11 March 2016

New Issue

Rate this Research >>

Contacts

Rachel Cortez 312-706-9956
 VP-Senior Credit
 Officer
 rachel.cortez@moody.com

Kevin R Archer 312-706-9975
 Associate Analyst
 kevin.archer@moody.com

Oak Park (Village of), IL

New Issue - Moody's assigns Aa3 to Oak Park, IL's \$27.5M GO Bonds, Series 2016A-C

Summary Rating Rationale

Moody's Investors Service has assigned a Aa3 rating to the Village of Oak Park, IL's \$20.5 million General Obligation Corporate Purpose Refunding Bonds, Series 2016A, \$4.1 million Taxable General Obligation Corporate Purpose Bonds, Series 2016B, and \$2.9 million Taxable General Obligation Corporate Purpose Bonds, Series 2016C. Concurrently, we have maintained the Aa3 rating on the village's outstanding general obligations unlimited tax (GOULT) debt and the Aa3 rating on the village's outstanding sales tax revenue bonds. The village has \$82.2 million of GOULT debt and \$10.0 million of sales tax revenue debt outstanding, post-sale.

The Aa3 GO rating reflects adequate operating fund reserves though limited liquidity due to interfund borrowing; improving enterprise fund operations; considerable revenue raising flexibility as a home rule unit of local government; a sizable tax base in the Chicago (Ba1 negative) metropolitan area with an affluent demographic profile; manageable debt profile; and sizeable unfunded pension liabilities. The Aa3 rating also considers that overall liquidity remains satisfactory despite the narrow operating fund position.

The Aa3 rating on the village's sales tax revenue bonds reflects the lack of legal separation between the pledged revenue and the city's general operations; healthy debt service coverage; recent growth in pledged revenues with modest declines historically; and no expectation of further leveraging of the pledged revenues.

Credit Strengths

- » Large tax base favorably located near Chicago
- » Affluent socio-economic profile
- » Home-rule government with considerable revenue raising flexibility
- » Broad base that includes the strength of the statewide economy (Sales Tax)
- » Strong coverage levels expected to remain near 5.0x over the medium term (Sales Tax)

Credit Challenges

- » Ongoing negative budgetary variances pressuring financial operations

- » Narrow liquidity position in operating funds though overall governmental cash remains adequate
- » Sizeable unfunded pension liabilities
- » Lack of a debt service reserve fund (Sales Tax)

Rating Outlook

Outlooks are not usually assigned to local government credits with this amount of debt.

Factors that Could Lead to an Upgrade

- » Substantial and sustained improvement in operating fund reserves and liquidity
- » Upward movement in village's GO rating (Sales Tax)

Factors that Could Lead to a Downgrade

- » Declines in overall reserves and liquidity
- » Further increase in unfunded pension liabilities
- » Material decline in coverage levels or sales tax receipts (Sales Tax)
- » Downward movement in village's GO rating (Sales Tax)

Key Indicators

Exhibit 1

Oak Park (Village of) IL	2010	2011	2012	2013	2014
Economy/Tax Base					
Total Full Value (\$000)	\$ 5,557,507	\$ 4,795,507	\$ 4,414,903	\$ 4,111,760	\$ 4,153,171
Full Value Per Capita	\$ 107,126	\$ 92,438	\$ 84,733	\$ 78,914	\$ 79,709
Median Family Income (% of US Median)	168.6%	163.4%	163.5%	169.6%	169.6%
Finances					
Operating Revenue (\$000)	\$ 51,202	\$ 51,147	\$ 49,400	\$ 52,621	\$ 54,341
Fund Balance as a % of Revenues	17.8%	15.4%	6.6%	10.8%	11.0%
Cash Balance as a % of Revenues	0.1%	1.2%	0.4%	1.7%	0.1%
Debt/Pensions					
Net Direct Debt (\$000)	\$ 88,337	\$ 90,652	\$ 86,349	\$ 91,856	\$ 85,446
Net Direct Debt / Operating Revenues (x)	1.7x	1.8x	1.7x	1.7x	1.6x
Net Direct Debt / Full Value (%)	1.6%	1.9%	2.0%	2.2%	2.1%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	N/A	3.4x	3.6x	4.0x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	N/A	3.8%	4.7%	5.3%

The table above only reflects years in which audited financial statements exists. Post-sale debt burden and other data points are discussed in the report below.

Source: Audited Financial Statements, Moody's

Recent Developments

Since our last rating report on November 24th, 2015, no material credit developments have occurred. The balance of this report is largely unchanged from our previous report.

Detailed Rating Considerations

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Economy and Tax Base: Mature Inner Ring Chicago Suburb with Recovering Tax Base

The village's sizable \$4.2 billion tax base experienced significant valuation declines in recent years but began to regain value in 2014 and is expected to maintain long-term stability due to its strong socio-economic profile and favorable location in the Chicago metropolitan area. Located eight miles west of downtown Chicago in Cook County (A2 negative), this primarily residential tax base declined significantly in recent years with declines of 13.7% in 2011, 7.9% in 2012, and 6.9% in 2013, reflecting broader real estate trends. Favorably, the base grew by a modest 1.0% in 2014 and is projected to further stabilize over the term.

Approximately 87% of the village's valuation is classified as residential. Retail, restaurants, and other commercial properties are located in 11 distinct business districts throughout the village. Officials report that development activity continues in its downtown district. Interstate 290 and multiple commuter rail stations provide residents with access to employment centers throughout the region. The village's unemployment rates have historically trended below those of Illinois and the nation and was 4.3% as of November 2015 compared to 5.8% across the state and 4.8% across the nation. Resident income levels are high with per capita income and median family income at 170% of US medians from 2009 to 2013, as estimated in the American Community Survey.

Financial Operations and Reserves: Narrow General Fund Liquidity but Available Liquidity in Other Funds; Lack of Legal Separation Caps Sales Tax Rating

We expect the village's financial reserves will remain limited in the medium term. The village's combined Operating Fund, which includes the General and Debt Service Funds, has historically maintained a narrow financial position and has posted operating deficits, after transfers, during three of the last six years resulting in an available fund balance of \$5.9 million, or 11.0% of revenues at the close of fiscal 2014. This marks a notable improvement from fiscal 2012 when the available fund balance was \$3.2 million, or 6.6% of revenues. The improvement is primarily the result of the complete repayment of a large advance made from the General Fund to the village's Parking Fund. Village management has made a concerted effort to restructure the parking system's fee structure. At its peak the Parking Fund owed the General Fund \$10.6 million in fiscal 2007.

For fiscal 2015, management is projecting a \$1.5 million increase in the General Fund due to a decision at the end of 2015 to transfer surplus funds from the Parking Fund and Environmental Services Fund to build up reserves in the General Fund. The city is budgeting for a draw in the General Fund of approximately \$890,000 in fiscal 2016 but may transfer additional surplus funds to the General Fund.

Although the indenture governing the village's sales tax debt treats pledged revenues separately from the village's general revenues, we do not consider the pledged revenues to be effectively separated from the village as they are temporarily pooled with the village's general revenues prior to being transferred to the trustee-held debt service accounts. Therefore, the sales tax rating is capped at the village's GO rating. The rating on the sales tax debt also considers the ample debt service coverage provided by pledged revenues (MADS coverage is 4.87 times) and a satisfactory 1.5 times ABT.

LIQUIDITY

While the village has made marked improvement towards improving its enterprise funds, namely the Water Fund and the Parking Fund, the village's Operating Fund liquidity remains very narrow. The village closed fiscal 2014 with a \$45,000 balance, or 0.1% of operating revenues. This is due primarily due to the village's treatment of its General Fund as a pass through for its tax increment financing (TIF) funds. The General Fund currently is owed \$5.6 million from the Special Tax Allocation Fund, in order to reimburse the General Fund for debt service payments and previous TIF distributions, and \$3.9 million from the Capital Improvements Fund for operating expenses and contractual services. In addition, the General Fund owes \$7.4 million to the Madison Street TIF Fund for previously borrowed cash. The fiscal 2014 balance sheet for the Special Tax Allocation Fund includes \$12.9 million of land held for resale as an asset.

Management reports that they are awaiting a final land sale in its central TIF business village in order to settle the amount owed to the General Fund which would allow the General Fund to repay its portion to the Madison Street Fund. Management indicates that they are working through alternate scenarios to settle the advances in the event that the land sale does not materialize in time.

While we note the pressured liquidity positions across the Operating Funds as defined in our methodology, we recognize the satisfactory liquidity position of the village across all governmental activities which totaled \$12.7 million, or 18.1% of operating revenues in fiscal 2014. This does not include an additional \$3.6 million in unrestricted liquidity held in the Parking Fund and \$1.3 million in the Environmental Service Fund, which management reports could be used for operations if necessary.

Debt and Pensions: Manageable Debt Profile but Sizeable Unfunded Pension Liabilities

The village's debt burden will likely remain manageable due to its average debt repayment schedule. At 2.2% and 4.8% of full value, respectively, the village's direct and overall debt burdens are above average. Debt service as a percentage of operating expenditures is manageable at 13.4% in fiscal 2014, although total fixed costs (debt service, other post-employment benefits, and pensions) as a percentage of operating revenue is high at 30.1% of fiscal 2014 revenue.

DEBT STRUCTURE

The village's long-term debt profile consists of \$82.2 million of outstanding GOULT bonds and \$10.0 million in sales tax revenue bonds. Principal retirement of the village's outstanding long-term debt is average with 61.6% of debt retired within ten years.

In addition to the village's publicly rated debt, the village also has a \$9.5 million letter of credit (LoC) with a local bank. The LoC has a variable interest rate that is the higher of 1) the bank's prime rate plus 1.5% 2) the Federal Funds Rate plus 2.0% 3) the daily LIBOR Rate plus 1.0% or 4) 7.5%. The interest is calculated on an actual 360 day basis and is paid quarterly. The LoC was taken out in September 2014 as part of a development agreement between the village and a private real estate developer in order to guarantee the village's purchase of 300 parking spaces for a parking garage in the village's downtown that is currently being constructed. The village reports that this LoC has never been drawn upon, and village management has no intention of doing so. The village is planning to convert this LoC in its entirety to long-term GO debt later this year.

DEBT-RELATED DERIVATIVES

The village is not party to any swap or derivative agreements.

PENSIONS AND OPEB

Oak Park's unfunded pension burden remains large despite annual contributions from the village that exceed the annual required contributions (ARCs) determined by plan actuaries. Although the village's police and fire pension plans are single employer plans, benefits and employee contribution levels are established by Illinois statute. State statute also outlines minimum employer contributions, which the village has consistently exceeded. Non-public safety employees of the Village of Oak Park participate in the Illinois Municipal Retirement Fund (IMRF).

The three year average adjusted net pension liability (ANPL) for the village is elevated at 4.0 times operating revenues, or 5.3% of full value. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. Oak Park's pension liabilities are a source of operating budget pressure for the city with a fiscal 2014 ARC of \$8.8 million, or a significant 16.2% of operating revenues.

Management and Governance: Home Rule Status Provides Broad Revenue Raising Authority

Illinois cities and villages have an institutional framework score of "A," or moderate. Revenue predictability is moderate, with varying dependence on property, sales, and state-distributed income taxes. Revenue-raising ability is also moderate but varies. Home rule entities have substantial revenue-raising authority. Non-home rule entities are subject to tax rate limitations, and total operating tax yield for non-home rule entities subject to the Property Extension Limitation Law (PTELL) is capped at the lesser of 5% or CPI growth, plus new construction. Expenditures are moderately predictable but cities have limited ability to reduce them given costs for pension benefits that enjoy strong constitutional protections.

While the village cannot make benefit adjustments given they are outlined in state statute, management has worked to address unfunded pension liabilities by contributing above the Actuarial Required Contribution (ARC). Management has also demonstrated a willingness to make operational adjustments as evidenced by the elimination of payables from the Parking Fund to the General Fund but has also demonstrated weaknesses given its recent history of negative budget to actual variances. As a home-rule municipality, the village has significant financial flexibility as it has the power to impose variety of taxes without voter approval.

Legal Security

All of the village's outstanding GOULT bonds are secured by the village's pledge to levy a tax unlimited as to both rate and amount to pay debt service.

Use of Proceeds

The Series 2016A bonds are being issued to current refund all of the village's outstanding Series 2006B GOULT bonds.

The Series 2016B bonds are being issued to finance the construction of public parking spaces as outlined in a previous development agreement between the village and a real estate developer.

The Series 2016C are being issued to finance street improvement projects throughout the village.

Obligor Profile

The Village of Oak Park is an inner ring Chicago suburb located approximately eight miles west of downtown and serves a population of approximately 52,000.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on www.moody.com for a copy of this methodology.

Ratings

Exhibit 2

OAK PARK (VILLAGE OF) IL

Issue	Rating
General Obligation Corporate Purpose Refunding Bonds, Series 2016A	Aa3
Rating Type	Underlying LT
Sale Amount	\$20,515,000
Expected Sale Date	03/21/2016
Rating Description	General Obligation
Taxable General Obligation Corporate Purpose Bonds, Series 2016B	Aa3
Rating Type	Underlying LT
Sale Amount	\$4,125,000
Expected Sale Date	03/21/2016
Rating Description	General Obligation
Taxable General Obligation Corporate Purpose Bonds, Series 2016C	Aa3
Rating Type	Underlying LT
Sale Amount	\$2,900,000
Expected Sale Date	03/21/2016
Rating Description	General Obligation

Source: Moody's Investors Service

© 2016 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1017747