

RatingsDirect®

Summary:

Itasca, Illinois; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile

Itasca Vill debt certs		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Itasca Vill GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA+' rating on the series 2009 general obligation (GO) bonds and 'AA' rating on the series 2010 debt certificates issued by the village of Itasca, Ill. The outlook is stable. The rating on the debt certificates is one notch below the GO bond rating due to the limited nature of the certificates' security. The certificates are payable from legally available funds, and are not secured by a dedicated property tax.

The ratings reflect our view of the village's

- Participation in the deep and diverse Chicago metropolitan area economy;
- Very strong income and extremely strong wealth levels;
- Strong retail, commercial, and industrial sectors that drive sales tax revenues; and
- Very strong general fund reserves, which help cushion against the volatility of sales tax revenues.

In Standard & Poor's opinion, these strengths are partially mitigated by the village's heavy reliance on sales tax revenues to fund general fund operations.

Itasca (estimated population of 8,740) is in DuPage County about 27 miles northwest of downtown Chicago and four miles west of O'Hare International Airport. Income levels in the village are, in our opinion, very strong, with median household effective buying income at 142% of the state's and 147% of national levels. Market value decreased 24% from 2008 to 2012 to \$1.7 billion, which we still consider extremely strong at \$194,000 per capita. The tax base has strong industrial and commercial components, which benefit from the village's proximity to O'Hare. Management anticipates that the village's economy will receive a significant boost from the Illinois Toll Highway Authority's plans to expand and improve Thorndale Avenue, which runs east-west through the northern part of the village, as an extension of the Elgin-O'Hare Expressway. Once completed, the extended expressway will become the new western access to O'Hare.

Sales taxes provided 38% of general fund revenue in fiscal 2012 (April 30), while property taxes provided 17%. The general fund balance increased about \$752,000 from fiscal 2009 to 2012, to \$6 million. Of that amount, \$5.98 million is unassigned, which in our view is a very strong 60% of expenditures. For 2013, management expects that the village will report a general fund surplus of \$2.23 million due to improvement in sales, utility, and other tax revenues. The village conservatively structured its 2014 general fund budget with a \$225,000 shortfall due to engineering studies and

other costs associated with improvements to the Elgin-O'Hare Expressway. Management's goal is to maintain six months of operating reserves.

The overall net debt burden, including estimated overlapping debt, is, in our opinion, low at 2.1% of market value and \$7,650 per capita. Debt service carrying charges were moderate at 14% of total governmental funds expenditures less capital outlays in fiscal 2012. Itasca does not have additional debt plans at this time.

The district's Financial Management Assessment score is "good". This indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. We revised the score from "standard" because the village is now using five-year financial projections.

The village's non-police employees are covered by the Illinois Municipal Retirement System (IMRF), a multi-employer defined-benefit pension system. Police employees are covered by the village's single-employer defined benefit-pension plan. For the last three audited fiscal years, the village paid 100% of its annual required contribution (ARC) to the IMRF and 96%-102% of ARC to the police pension system. The village's paid about \$912,000 in pension contributions in fiscal 2012, which was 7.8% of total governmental funds expenditures. The village allows retirees to buy into its health insurance plan at their own expense, giving rise to an implicit rate subsidy.

Outlook

The stable outlook reflects our expectation that the village will take the necessary steps to maintain very strong reserves despite its reliance on sales tax revenues to fund operations. Itasca's participation in the Chicago metropolitan area economy enhances rating stability.

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

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