

### Summary:

## Downers Grove, Illinois; General Obligation

#### Primary Credit Analyst:

John Sauter, Chicago (1) 312-233-7027; john\_sauter@standardandpoors.com

#### Secondary Contact:

Steffanie Dyer, Chicago (1) 312-233-7007; steffanie\_dyer@standardandpoors.com

### Table Of Contents

---

Rationale

Outlook

Related Criteria And Research

## Summary:

# Downers Grove, Illinois; General Obligation

### Credit Profile

US\$35.0 mil GO bonds ser 2012 due 01/01/2038

*Long Term Rating*

AA+/Stable

New

Downers Grove Vill GO

*Long Term Rating*

AA+/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating to the Village of Downers Grove, Ill.'s series 2012 general obligation (GO) bonds and affirmed its 'AA+' long-term rating and underlying rating (SPUR) on the village's existing GO bonds. The outlook is stable.

The 'AA+' ratings reflect our assessment of the village's:

- Participation in the Chicago metropolitan area's deep and diverse economy;
- Diverse local economy consisting of a good mix of residential and commercial properties;
- Very strong income levels and extremely strong market value per capita;
- Very strong reserves supported by strong financial management practices; and
- Low-to-moderate overall debt burden.

The series 2012 GO bonds are a full faith and credit obligation of the village, payable from ad valorem property taxes levied against all taxable property, without limitation as to rate or amount. Management intends to use bond proceeds to fund various road and storm water improvements throughout the village.

Downers Grove is situated about 23 miles southwest of downtown Chicago, in eastern DuPage County ('AAA' GO debt rating). The village's proximity to several highways and commuter rail lines provides residents easy and quick access to ample employment opportunities in downtown Chicago and across the metropolitan area. Given its location and transportation access, the village also boasts a large corporate office and commercial retail presence. According to the 2010 U.S. Census, the village's population is 47,818, but we understand the daytime population reaches more than 100,000 due to inbound commuters and retail shoppers. According to officials, commercial vacancy remains strong and continues to grow. Retail sales per capita in the village equal 136% of national levels, a figure we consider strong.

The village experienced steady tax base growth for most of the past decade. Growth has slowed during the recession, however, demonstrated by a 0.1% increase in equalized assessed value (AV) in levy year 2009 and a 5.6% decrease in levy year 2010, dropping equalized AV to \$2.4 billion. Officials are forecasting additional decreases over the next few years as housing values continue to adjust. Residential properties represent the bulk of equalized AV (76%), followed by commercial (21%) and industrial (3%) properties. The 10 leading taxpayers combine to represent a very diverse 7.7% of the tax base. Total market value is \$7.2 billion, or what we consider an extremely strong \$150,966 per capita. Income levels, measured as median household and per capita effective buying income, are very strong, in our view, at 130% and 131% of national levels, respectively. The median home value in the

village is \$283,297, which is 164% of national levels.

Downers Grove continues to maintain a very strong financial position, despite the softening of revenues in recent years. The village experienced drawdowns amounting to \$1.6 million across fiscals 2008 and 2009, at the onset of the recession, but has since returned the budget to a structurally balanced position. Fiscal 2010 closed with a \$238,000 surplus, increasing the general fund balance to \$15.7 million, of which \$13.7 million, or a very strong 35% of fund expenditures, is unreserved. Management's unaudited figures indicate another \$1.5 million addition to fund balance for fiscal 2011.

The village has a diverse revenue mix consisting mostly of sales (29% of general fund revenues), property (27%), utility (14%), and income (10%) taxes. Sales taxes started decreasing in fiscal 2008, followed by decreases in income and utility taxes beginning in 2009. In response, the village outlined a multiple-year plan to first reduce expenditures, followed with supplemental increases in revenues where needed. We understand that the village has cut more than \$5 million from the budget over the past few years, which includes staff reductions through attrition, changes in health care providers, and service consolidations, among others. The village considers all of these reductions to be recurring savings. In addition, the village increased its home-rule sales tax by a quarter of a percent to 1% and increased the property tax two years in a row. As a home-rule community, the village has the authority to increase its operating levies without voter approval. The village is currently emphasizing a shift to a more property-tax-reliant budget from a more sales-tax-reliant one, as it views property taxes as more reliable and stable. The fiscal 2012 budget was balanced without the use of reserves, and officials fully expect to continue to maintain reserves in line with the village's two- to four-month cash reserve policy.

Downers Grove's financial management practices are considered "strong" under Standard & Poor's Financial Management Assessment, indicating that practices are strong, well embedded, and likely sustainable. The village develops its budget using various sources of data, both historical and current, to support its revenue and expense assumptions. It monitors its revenues and expenditures, and investments, carefully and provides monthly reports to elected officials. Downers Grove's long-term financial plan and capital improvement plan both span at least three years and are updated annually. A formal debt management policy provides parameters for debt issuance and a formal reserve policy outlines minimum permitted cash levels.

The village's overall debt burden, including overlapping debt, is low at 2.4% of market value, yet moderate on a per capita basis at \$3,577. Net of refundings, debt service carrying charges have historically been low and in the range of 5% to 8% of total governmental funds expenditures, less capital outlays. Debt amortization is average, with 62% of principal scheduled to mature in 10 years and 87% in 20 years. The village anticipates the issuance of up to \$35 million in additional GO bonds by 2015 to continue funding its long-term street and storm water improvement plan.

Village employees participate in numerous pension plans, including the Illinois Municipal Retirement Fund, an agent-multiple-employer public employee retirement system, and the Police and Fire Pension plans, both single-employer plans. Funded ratios for the three plans range from 59% to 70%, with a total unfunded actuarial accrued liability of approximately \$55 million. Annual pension contributions amount to \$5.5 million, or 11% of total governmental funds expenditures, less capital outlay. The city also pays retiree health care benefits on a pay-as-you-go basis, but has recently changed its plan so that those hired after Sept. 1, 2009, pay 100% of their premiums. Management expects this change to bring down its \$11.1 million unfunded actuarial accrued liability for these benefits.

## Outlook

The stable outlook reflects Standard & Poor's expectation that Downers Grove will continue to maintain balanced operations and very strong reserves. The village has consistently demonstrated an ability to make structural budget adjustments in response to adverse conditions, and we expect this to continue. The village's close monitoring of daily operations, combined with an emphasis on identifying long-term budget challenges and strategies, supports our expectation that balanced operations will continue. Given these factors, we do not expect the rating to change during the two-year outlook horizon. The village's participation in the diverse Chicago metropolitan area economy further supports the outlook, particularly as its supports a firm foundation for employment and tax base stability.

## Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

<b>Ratings Detail</b> (As Of April 2, 2012)		
<b>Downers Grove Vill go</b>		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
<b>Downers Grove Vill GO</b>		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).