Glenview Park District, IL

Update to credit opinion

Summary

Glenview Park District (Aaa), IL benefits from a large, affluent, residential tax base in the north Chicago (Ba1 stable) suburbs. The district will likely maintain a very healthy financial position despite recent and anticipated spending of fund balance to invest in facilities. The district’s debt burden remains manageable when incorporating upcoming debt issuances, given approaching maturities on outstanding debt. The pension burden remains modest compared to the district’s tax base and operating revenue.

Credit strengths

» Large, affluent, suburban tax base tied to the Chicago metropolitan area
» Very healthy financial position
» Manageable debt and pension burdens

Credit challenges

» Moderate exposure to competitive enterprise operations including a golf course and ice arena

Rating outlook

We do not typically assign outlooks to local governments with this amount of debt.

Factors that could lead to an upgrade

» Not applicable

Factors that could lead to a downgrade

» Significant narrowing of fund balance and liquidity
» Substantial growth in the district’s debt and pension burdens
Key indicators

### Exhibit 1

<table>
<thead>
<tr>
<th>Glenview Park District, IL</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy/Tax Base</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Full Value ($000)</td>
<td>$7,121,425</td>
<td>$7,206,222</td>
<td>$7,091,670</td>
<td>$8,647,455</td>
<td>$8,932,155</td>
</tr>
<tr>
<td>Population</td>
<td>45,400</td>
<td>45,969</td>
<td>46,559</td>
<td>47,659</td>
<td>47,659</td>
</tr>
<tr>
<td>Full Value Per Capita</td>
<td>$156,860</td>
<td>$156,763</td>
<td>$152,316</td>
<td>$181,444</td>
<td>$187,418</td>
</tr>
<tr>
<td>Median Family Income (% of US Median)</td>
<td>189.7%</td>
<td>189.7%</td>
<td>197.0%</td>
<td>197.0%</td>
<td>197.0%</td>
</tr>
<tr>
<td><strong>Finances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue ($000)</td>
<td>$25,035</td>
<td>$26,086</td>
<td>$26,418</td>
<td>$25,418</td>
<td>$26,123</td>
</tr>
<tr>
<td>Fund Balance ($000)</td>
<td>$18,254</td>
<td>$15,160</td>
<td>$13,418</td>
<td>$12,265</td>
<td>$12,697</td>
</tr>
<tr>
<td>Cash Balance ($000)</td>
<td>$34,210</td>
<td>$32,157</td>
<td>$29,198</td>
<td>$27,830</td>
<td>$28,545</td>
</tr>
<tr>
<td>Fund Balance as a % of Revenues</td>
<td>72.9%</td>
<td>58.1%</td>
<td>50.8%</td>
<td>48.3%</td>
<td>48.6%</td>
</tr>
<tr>
<td>Cash Balance as a % of Revenues</td>
<td>136.6%</td>
<td>123.3%</td>
<td>110.5%</td>
<td>109.5%</td>
<td>109.3%</td>
</tr>
<tr>
<td><strong>Debt/Pensions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Direct Debt ($000)</td>
<td>$31,290</td>
<td>$27,370</td>
<td>$23,133</td>
<td>$21,637</td>
<td>$19,739</td>
</tr>
<tr>
<td>3-Year Average of Moody’s ANPL ($000)</td>
<td>$14,175</td>
<td>$15,192</td>
<td>$17,893</td>
<td>$22,624</td>
<td>$25,629</td>
</tr>
<tr>
<td>Net Direct Debt / Operating Revenues (x)</td>
<td>1.2x</td>
<td>1.0x</td>
<td>0.9x</td>
<td>0.9x</td>
<td>0.8x</td>
</tr>
<tr>
<td>Net Direct Debt / Full Value (%)</td>
<td>0.40%</td>
<td>0.40%</td>
<td>0.30%</td>
<td>0.30%</td>
<td>0.22%</td>
</tr>
<tr>
<td>Moody’s - adjusted Net Pension Liability (3-yr average) to Revenues (x)</td>
<td>0.6x</td>
<td>0.6x</td>
<td>0.7x</td>
<td>0.9x</td>
<td>0.9x</td>
</tr>
<tr>
<td>Moody’s - adjusted Net Pension Liability (3-yr average) to Full Value (%)</td>
<td>0.20%</td>
<td>0.20%</td>
<td>0.30%</td>
<td>0.30%</td>
<td>0.29%</td>
</tr>
</tbody>
</table>

Population and Median Family Income figures have been taken from the Village of Glenview as a proxy for the park district.

Source: Moody’s Investors Service, audited financial statements, U.S. Census Bureau

Profile

The Glenview Park District principally serves residents of the villages of Glenview (Aaa stable) and Golf, though its base also extends into a few neighboring north Chicago suburbs.

Detailed credit consideration

**Economy and tax base: affluent, suburban Chicago tax base**

The Glenview Park District encompasses an affluent, residential tax base in the north Chicago suburbs. The district principally serves residents of the villages of Glenview and Golf, though its base also extends into a few neighboring communities. In the most recent year, full value increased by 2.4% to the current value of $8.9 billion. Full value remains well below its prerecession peak of $10.6 billion.

Median family income in Glenview is estimated at a very strong 197% of the US median. Although residential property comprises over 70% of the village’s EAV, Glenview also has a large office and retail presence. The village is the location of corporate headquarters for...
Astellas Pharma. Kraft Foods had been the largest employer in the village, but reduced its presence to 550 employees from 1,440 after closing its management center. Kraft maintains a research and development facility in the village. Multiple residential developments are currently underway, including continued development of a project known as "The Glen", which consists of a large area of single and multifamily housing, office and warehouse space, and retail.

Financial operations and reserves: ample reserves and liquidity
The district’s financial position is strong and expected to remain so despite recent and anticipated spending of fund balance to invest in facilities. The district closed fiscal 2018 with an available operating fund balance of $12.7 million, or 49% of revenue. We consider the district’s core operations to be accounted for in the general, debt service, recreation, special recreation, museum, retirement, liability insurance and capital development funds. Fiscal 2018 fund balance increased over the previous year despite planned capital investments.

For fiscal 2019, the district has budgeted for an approximate $500,000 decline in fund balance. The district’s fund balance policy is to maintain a minimum fund balance of 10-20% of general fund expenses. If the district were to draw its reserves down to 20%, it would place fund balance significantly lower than its Aaa peers, but officials have no plans to do so.

LIQUIDITY
Liquidity is much stronger than fund balance, with fiscal 2018 year-end operating fund cash at $29 million and 109% of revenue. The primary reason for the difference in cash and fund balance is the district’s decision to book property taxes collected in one fiscal year as deferred to the next fiscal year. The district also tends to hold all liquidity in its governmental funds, though it operates four business enterprises: two golf courses; a tennis club; and an ice arena. Collectively, all enterprise funds held a minimal $483,000 in cash in fiscal 2018. Operations are relatively small though, with collective operating expenses totaling $6 million.

The district transferred $575,000 to the enterprises in fiscal 2018, most of which came from either the capital development or capital replacement fund. We include the capital development fund as an operating fund because the district annually allocates a share of its operating levy to the fund. Therefore, that fund’s liquidity is accounted for in the cash balance above. However, the balance above does not include the capital replacement fund, which closed fiscal 2018 with a $12 million fund balance for facility investments. Across all governmental and enterprise funds, fiscal 2018 district cash was $42 million.

Debt and pensions: manageable debt and pension burdens
The district’s debt and pension burdens are manageable and likely to remain so when incorporating upcoming debt issuances, given approaching maturities on outstanding debt. Inclusive of an upcoming sale to fund various projects at the Grove and the ice arena, direct debt is 0.4% of full value and 1.4x fiscal 2018 operating fund revenue. In 2019, the district is considering the issuance of $10 million in alternate revenue (non-referendum) bonds for additional support of the aforementioned projects. Because of a tax increment district (TID) rolling off, the district will enjoy a substantial increase in its valuation beginning with levy year 2022, enabling a more aggressive retirement of the referendum bonds. The district will continue to issue limited tax debt periodically, with consideration for an issuance in either 2019 or 2020.

Moody's single-year adjusted net pension liability (ANPL) for the district, our measure of a local government’s pension burden that incorporates adjustments we make to reported pension information, is also low at $26 million, or 0.3% of full value and 0.9x fiscal 2018 revenue. Debt service consumed 17% of operating revenue in fiscal 2018, while pension contributions used another 3.9%.

DEBT STRUCTURE
All of the district’s debt is fixed rate and 90.6% of post-sale principal is scheduled to be repaid within ten years.

DEBT-RELATED DERIVATIVES
The district is not party to any debt-related derivative agreements.

PENSIONS AND OPEB
District employees are members of the Illinois Municipal Retirement Fund (IMRF) a multiple employer agent plan. The district’s three-year average ANPL in fiscal 2018 was $26 million, or a low 0.29% of full value and 0.9x fiscal 2018 revenue. Though this is up from $23 million in fiscal 2017, it remains a modest burden relative to the district’s tax base and revenue. The Moody’s ANPL uses a market-based discount rate to value accrued liabilities, while making no assumptions regarding future asset performance. In fiscal 2018, the district
contributed $1 million to IMRF. This was 108% of the amount needed for the district’s plan to tread water, that is forestall growth in the reported net pension liability assuming other plan assumptions hold. Annual funding of pensions does not pose a material challenge to the district, though required contributions may rise moderately in the coming years.

Management and governance: strong institutional framework
Illinois park district’s have an institutional framework score of “Aa”, or strong. These districts generally benefit from sufficient revenue raising authority and flexible expenditure requirements to mitigate enterprise risk. Property taxes make up 66% of the district’s annual operating revenue. The district is subject to the Property Tax Extension Limitation Law (PTELL), which limits the annual growth in its levy to the lesser of 5% or the change in the consumer price index. The district has significant margin under its maximum operating tax rate caps to offset valuation declines with increased rates to get the maximum allowable levy under PTELL. Charges for services, consisting of various program fees, make up nearly 30% of annual operating revenue.
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