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MICELI  
*Senior VP*

LARRY  
BURGER  
*Vice President*

MARK  
JERETINA  
*Vice President*

November 6, 2017

The Honorable President Anan Abu-Taleb  
and Members of the Board of Trustees  
Village of Oak Park  
123 Madison Street  
Oak Park, Illinois 60302

Dear President Abu-Taleb and Board Members:

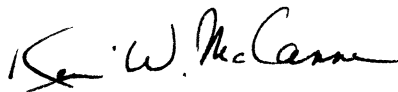
Bids were received today for the \$13,430,000 General Obligation Corporate Purpose Bonds, Series 2017A. There were 22 bids received from 6 bidders. The best bid received by each bidder is listed at the bottom of this letter in accordance with the signed bids.

Upon examination, it is our opinion that the bid of Robert W. Baird & Co., Inc., Milwaukee, Wisconsin, is the best bid received, and it is further our opinion that the bid is favorable to the Village and should be accepted. The proceeds of the Bonds will be used to finance various Village capital improvement projects, including streets and alley improvements, and to pay the costs of issuing the Bonds. After the sale, in order to meet the Village's financing requirements, the par amount of the Bonds was adjusted to \$13,415,000. We therefore recommend that the Bonds be awarded to that bidder at a price of \$13,313,008.96, being at a true interest rate of 3.2433% (as adjusted).

<u>Account Managers</u>	<u>True Interest Rate</u>
<b>Robert W. Baird &amp; Co., Inc., Milwaukee, Wisconsin .....</b>	<b>3.2428% (Original)</b>
	<b>3.2433% (Revised)</b>
Hilliard Lyons, Indianapolis, Indiana .....	3.2439%
Bank of America Merrill Lynch, New York, New York .....	3.2812%
JP Morgan Securities, New York, New York .....	3.3596%
Hutchinson Shockey Erley, Chicago, Illinois .....	3.4335%
Raymond James, St. Petersburg, Florida .....	3.9632%

Respectfully submitted,

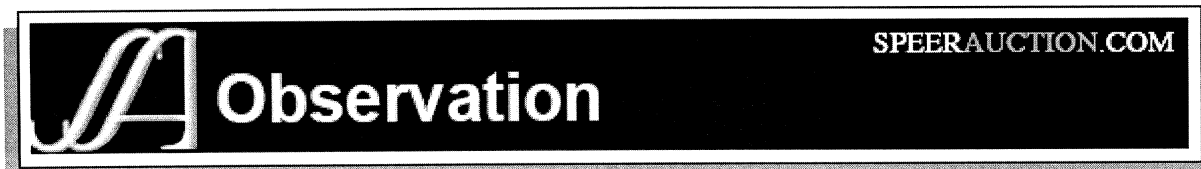
SPEER FINANCIAL, INC.



Kevin W. McCanna  
Chairman

KWM/lae

Attachments



**Auction Date**    **Type**    **Start**    **End**    **Time Now**    **Status**  
 Mon., Nov 6, 2017    AON    10:30:00 am    10:46:37 am    11:00:28 am EST    Over

Connected to server

\$13,430,000\*

Village of Oak Park, Cook County, Illinois  
 General Obligation Corporate Purpose Bonds, Series 2017A

	Bidder	Firm	TIC	Time	Gross Interest	+ Discount/ (Premium)	Total Interest	Bid No.	Cumulative Improvement	Open Auction Savings
1st	RWBA-DK	<u>Robert Baird</u>	3.242828%	10:44:37 am	\$5,781,368.07	101,428.85	\$5,882,796.92	2	0.019951%	\$ 28,439.53
2nd	HILL-RB	<u>Hilliard</u>	3.243898%	10:46:22 am	\$5,772,129.87	110,340.45	\$5,882,470.32	6	0.027272%	-
3rd	AMER-MH	<u>Bank of Ameri</u>	3.281224%	10:46:33 am	\$6,019,728.49	(38,721.75)	\$5,981,006.74	4	0.093003%	-
4th	JPMO-JM	<u>JP Morgan</u>	3.359561%	10:44:44 am	\$7,271,555.56	(909,383.65)	\$6,362,171.91	6	0.072095%	-
5th	HUTC-JV	<u>Hutchinson</u>	3.433453%	10:43:12 am	\$6,366,112.50	(61,000.00)	\$6,305,112.50	3	0.257225%	-
6th	RAYM-AT	<u>Raymond James</u>	3.963154%	10:46:21 am	\$7,095,185.16	129,868.10	\$7,225,053.26	1	-	-
<b>Total Bids:</b>								<b>22</b>		

\*Preliminary, subject to change

# SPEER FINANCIAL, INC.

PUBLIC FINANCE CONSULTANTS SINCE 1954

SUITE 4100 • ONE NORTH LASALLE STREET • CHICAGO, ILLINOIS 60602 • (312) 346-3700 • FAX (312) 346-8833

Investment Ratings:  
Moody's Investors Service ... A1  
S&P Global Ratings ... AA/Stable

**\$13,415,000**  
**VILLAGE OF OAK PARK**  
**Cook County, Illinois**  
**General Obligation Corporate Purpose Bonds, Series 2017A**

Date of Sale: November 6, 2017  
Revised Average Life: 13.546 Years  
Bond Buyer Index: 3.67%  
(Based on TIC)

Page 1 of 2

<u>Bidders*</u>	<u>Price</u>	<u>Maturities</u>	<u>Bid Par</u>	<u>Revised Par</u>	<u>Rates</u>	<u>True Interest**</u>
Robert W. Baird & Co., Inc., Milwaukee, WI	99.2448% \$13,328,571.15 (Original)	2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037	\$ 695,000 320,000 710,000 920,000 615,000 905,000 815,000 780,000 490,000 530,000 550,000 1,270,000 1,015,000 1,355,000 1,305,000 1,155,000	\$ <b>680,000</b> 320,000 710,000 920,000 615,000 905,000 815,000 780,000 490,000 530,000 550,000 1,270,000 1,015,000 1,355,000 1,305,000 1,155,000	3.000% 3.000% 3.000% 3.000% 3.000% 3.000% 3.000% 3.000% 3.000% 3.125% 3.125% 3.125% 3.250% 3.250% 3.375% 3.375%	3.2428% \$5,882,796.92 (Original)  3.2433% \$5,881,134.11 (Revised)
	99.9240% \$13,313,008.96 (Revised)					
			\$13,430,000	<b>\$13,415,000</b>		

<u>Bidders*</u>	<u>Price</u>	<u>Maturities</u>	<u>Rates</u>	<u>True Interest**</u>
Hilliard Lyons, Indianapolis, IN Ziegler Northland Tribal	99.1784% \$13,319,659.55	2022-2031 2032-2033 2034-2035 2036-2037	3.000% 3.125% 3.250% 3.375%	3.2439% \$5,882,470.32

\*Syndicate information is provided by the underwriter. The information contained in this report is the most current available.

\*\*The winning bid was adjusted to reflect the new amount of \$13,415,000. All other bids were based on the pre-sale amount of \$13,430,000. The true interest rate reflects the time value of money where dollars spent in early years have a greater weight than dollars spent in later years.

**\$13,415,000**  
**VILLAGE OF OAK PARK**  
**Cook County, Illinois**  
**General Obligation Corporate Purpose Bonds, Series 2017A**

Page 2 of 2

<u>Bidders*</u>	<u>Price</u>	<u>Maturities</u>	<u>Rates</u>	<u>True Interest**</u>
Bank of America Merrill Lynch, New York, NY	100.288% \$13,468,721.75	2022-2033 2034-2037	3.250% 3.375%	3.2812% \$5,981,006.74
JP Morgan Securities, New York, NY Estrada Hinojosa & Co. Academy Securities	106.771% \$14,339,383.65	2022-2037	4.000%	3.3596% \$6,362,171.91
Hutchinson Shockey Erley, Chicago, IL	100.454% \$13,491,000.00	2022-2030 2031 2032 2033 2034 2035-2037	3.000% 3.125% 3.250% 3.375% 3.500% 4.000%	3.4335% \$6,305,112.50
Raymond James, St. Petersburg, FL Morgan Stanley Jefferies FTN	99.033% \$13,300,131.90	2022-2025 2026 2027 2028-2029 2030 2031 2032-2036 2037	3.000% 3.250% 3.375% 3.500% 3.625% 3.750% 4.000% 5.000%	3.9632% \$7,225,053.26

\*Syndicate information is provided by the underwriter. The information contained in this report is the most current available.

\*\*The winning bid was adjusted to reflect the new amount of \$13,415,000. All other bids were based on the pre-sale amount of \$13,430,000. The true interest rate reflects the time value of money where dollars spent in early years have a greater weight than dollars spent in later years.

\$13,415,000  
Village of Oak Park, Cook County, Illinois  
General Obligation Corporate Purpose Bonds, Series 2017A

Best AON Bidder:	Best AON TIC:	Best Revised AON TIC
Robert Baird	3.242828 %	3.243337 %

Due	Principal Amount *	Resized Principal Amount	Serial/ Sinker/ Term	Coupon
Nov 1, 2022	\$695,000	\$680,000	Serial	3.000%
Nov 1, 2023	\$320,000	\$320,000	Serial	3.000%
Nov 1, 2024	\$710,000	\$710,000	Serial	3.000%
Nov 1, 2025	\$920,000	\$920,000	Serial	3.000%
Nov 1, 2026	\$615,000	\$615,000	Serial	3.000%
Nov 1, 2027	\$905,000	\$905,000	Serial	3.000%
Nov 1, 2028	\$815,000	\$815,000	Sinker	3.000%
Nov 1, 2029	\$780,000	\$780,000	Term	3.000%
Nov 1, 2030	\$490,000	\$490,000	Serial	3.000%
Nov 1, 2031	\$530,000	\$530,000	Serial	3.125%
Nov 1, 2032	\$550,000	\$550,000	Serial	3.125%
Nov 1, 2033	\$1,270,000	\$1,270,000	Serial	3.125%
Nov 1, 2034	\$1,015,000	\$1,015,000	Serial	3.250%
Nov 1, 2035	\$1,355,000	\$1,355,000	Serial	3.250%
Nov 1, 2036	\$1,305,000	\$1,305,000	Serial	3.375%
Nov 1, 2037	\$1,155,000	\$1,155,000	Serial	3.375%

**Original Purchase Price: \$13,328,571.15**

**Resized Purchase Price: \$13,313,008.96**

**Spread: None Entered**

**Time Submitted: November 6, 2017 at 10:44:37**

**AM EST**

\* Numbers displayed in blue are post sale  
adjustments.

SpeerAuction Interest Cost Calculations (for informational purposes only)		
	Original	Resized
Issue Size	\$13,430,000	\$13,415,000
Gross Interest	\$5,781,368.07	\$5,779,143.07
Plus Discount/(Less Premium)	101,428.85	101,991.04
Total Interest Cost	\$5,882,796.92	\$5,881,134.11
True Interest Rate	3.242828%	3.243337%
Total Bond Years	181,788.89	181,714.72
Average Life	13.536 Years	13.546 Years

**Firm: Robert Baird**

The foregoing bid as submitted or as revised post sale, if appropriate, was accepted and the Securities sold by action of this Board, and receipt is hereby acknowledged of the good faith Deposit, if any, which is being held in accordance with the terms of the annexed Official Notice of Sale.

**Signature:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Village of Oak Park, Cook County, Illinois****\$13,415,000 General Obligation Corporate Purpose Bonds, Series 2017A**

\*\*\*Final\*\*\*

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/21/2017	-	-	-	-	-
05/01/2018	-	-	186,905.56	186,905.56	-
11/01/2018	-	-	210,268.75	210,268.75	397,174.31
05/01/2019	-	-	210,268.75	210,268.75	-
11/01/2019	-	-	210,268.75	210,268.75	420,537.50
05/01/2020	-	-	210,268.75	210,268.75	-
11/01/2020	-	-	210,268.75	210,268.75	420,537.50
05/01/2021	-	-	210,268.75	210,268.75	-
11/01/2021	-	-	210,268.75	210,268.75	420,537.50
05/01/2022	-	-	210,268.75	210,268.75	-
11/01/2022	680,000.00	3.000%	210,268.75	890,268.75	1,100,537.50
05/01/2023	-	-	200,068.75	200,068.75	-
11/01/2023	320,000.00	3.000%	200,068.75	520,068.75	720,137.50
05/01/2024	-	-	195,268.75	195,268.75	-
11/01/2024	710,000.00	3.000%	195,268.75	905,268.75	1,100,537.50
05/01/2025	-	-	184,618.75	184,618.75	-
11/01/2025	920,000.00	3.000%	184,618.75	1,104,618.75	1,289,237.50
05/01/2026	-	-	170,818.75	170,818.75	-
11/01/2026	615,000.00	3.000%	170,818.75	785,818.75	956,637.50
05/01/2027	-	-	161,593.75	161,593.75	-
11/01/2027	905,000.00	3.000%	161,593.75	1,066,593.75	1,228,187.50
05/01/2028	-	-	148,018.75	148,018.75	-
11/01/2028	815,000.00	3.000%	148,018.75	963,018.75	1,111,037.50
05/01/2029	-	-	135,793.75	135,793.75	-
11/01/2029	780,000.00	3.000%	135,793.75	915,793.75	1,051,587.50
05/01/2030	-	-	124,093.75	124,093.75	-
11/01/2030	490,000.00	3.000%	124,093.75	614,093.75	738,187.50
05/01/2031	-	-	116,743.75	116,743.75	-
11/01/2031	530,000.00	3.125%	116,743.75	646,743.75	763,487.50
05/01/2032	-	-	108,462.50	108,462.50	-
11/01/2032	550,000.00	3.125%	108,462.50	658,462.50	766,925.00
05/01/2033	-	-	99,868.75	99,868.75	-
11/01/2033	1,270,000.00	3.125%	99,868.75	1,369,868.75	1,469,737.50
05/01/2034	-	-	80,025.00	80,025.00	-
11/01/2034	1,015,000.00	3.250%	80,025.00	1,095,025.00	1,175,050.00
05/01/2035	-	-	63,531.25	63,531.25	-
11/01/2035	1,355,000.00	3.250%	63,531.25	1,418,531.25	1,482,062.50
05/01/2036	-	-	41,512.50	41,512.50	-
11/01/2036	1,305,000.00	3.375%	41,512.50	1,346,512.50	1,388,025.00
05/01/2037	-	-	19,490.63	19,490.63	-
11/01/2037	1,155,000.00	3.375%	19,490.63	1,174,490.63	1,193,981.26
<b>Total</b>	<b>\$13,415,000.00</b>	<b>-</b>	<b>\$5,779,143.07</b>	<b>\$19,194,143.07</b>	<b>-</b>

**Yield Statistics**

Bond Year Dollars	\$181,714.72
Average Life	13.546 Years
Average Coupon	3.1803384%
Net Interest Cost (NIC)	3.2364654%
True Interest Cost (TIC)	3.2433374%
Bond Yield for Arbitrage Purposes	3.0903555%
All Inclusive Cost (AIC)	3.3208565%

**IRS Form 8038**

Net Interest Cost	3.1109620%
Weighted Average Maturity	13.439 Years

Series2017A NonBQ \$13.4M | SINGLE PURPOSE | 11/6/2017 | 10:54 AM

**CREDIT OPINION**

25 October 2017

**New Issue**
**Rate this Research** >>

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**EMEA** 44-20-7772-5454

# **Oak Park (Village of), IL**

## **New Issue - Moody's Assigns A1 to Oak Park, IL's GO Bonds**

**Summary Rating Rationale**

Moody's Investors Service has assigned an A1 to the Village of Oak Park, IL's \$13.4 million General Obligation Corporate Purpose Bonds, Series 2017A, \$1.4 million General Obligation Corporate Purpose Refunding Bonds, Series 2017B and \$2.9 million General Obligation Corporate Purpose Refunding Bonds, Series 2017C. Moody's maintains the A1 rating on the village's previously issued general obligation unlimited tax (GOULT) and sales tax revenue bonds. After the current issuance, the village will have \$113.7 million of rated debt.

The A1 rating considers the village's large and affluent tax base, improving financial position though operating reserves and available liquidity remain relatively limited, and broad legal authority to raise local revenue as an Illinois (Baa3 Negative) home rule unit of local government. The rating also takes into consideration the village's high pension burden and above debt burden.

The A1 rating on the sales tax revenue bonds reflects strong debt service coverage and the lack of legal separation from the village's general operations, which caps the sales tax rating at the GO rating.

**Credit Strengths**

- » Large tax base located adjacent to Chicago (Ba1 negative); strong resident income indices
- » Home-rule government with considerable revenue raising flexibility
- » Strong debt service coverage expected to remain near five times over the medium term (sales tax)

**Credit Challenges**

- » Somewhat limited reserve position and available liquidity compared to similarly rated entities
- » Very high pension burden; elevated fixed costs
- » Lack of a debt service reserve fund (sales tax)

**Rating Outlook**

Outlooks are typically not assigned to local governments with this amount of debt.

**Factors that Could Lead to an Upgrade**

- » Sustained improvement in operating fund reserves and liquidity

- » Moderation of the village's pension burden
- » Upward movement in the village's GO rating (sales tax)

### Factors that Could Lead to a Downgrade

- » Growth in the village's pension or debt burden
- » Weakening of operating reserves or available liquidity
- » Downward movement in the village's GO rating (sales tax)

### Key Indicators

Exhibit 1

Oak Park (Village of) IL	2012	2013	2014	2015	2016
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$ 4,795,507	\$ 4,414,903	\$ 4,111,760	\$ 4,153,171	\$ 4,007,332
Full Value Per Capita	\$ 92,611	\$ 85,062	\$ 79,091	\$ 79,746	\$ 77,245
Median Family Income (% of US Median)	163.5%	169.6%	170.0%	172.6%	172.6%
<b>Finances</b>					
Operating Revenue (\$000)	\$ 49,400	\$ 52,621	\$ 54,341	\$ 55,728	\$ 59,687
Fund Balance as a % of Revenues	6.6%	10.8%	11.0%	10.5%	18.0%
Cash Balance as a % of Revenues	0.4%	1.7%	0.1%	2.3%	11.5%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$ 77,284	\$ 83,490	\$ 77,646	\$ 80,822	\$ 101,597
Net Direct Debt / Operating Revenues (x)	1.6x	1.6x	1.4x	1.5x	1.7x
Net Direct Debt / Full Value (%)	1.6%	1.9%	1.9%	1.9%	2.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	3.4x	3.6x	4.0x	4.6x	5.0x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	3.5%	4.3%	5.3%	6.2%	7.4%

Source: the village's audited financial statements, Moody's Investors Service and US Census

### Recent Developments

Since our last rating report dated July 5th, 2017, tax base growth of 4% in the most recent assessment year, increased the village's full valuation to \$4.2 billion. The balance of the report is largely unchanged.

### Detailed Rating Considerations

#### Economy and Tax Base: Affluent, mature base near Chicago

The village's local economy will continue to benefit from its location adjacent to the city of Chicago and affluent resident income indices. The village of Oak Park is located approximately 10 miles west of downtown Chicago. The village realized tax base growth of 4% in the most recent assessment year, increasing estimated full valuation to \$4.2 billion though the tax base remains 25% smaller than in 2011. Village officials anticipate additional growth of 20% to 25% with the triennial reassessment in 2018.

In contrast to other mature inner ring suburbs, the village continues to benefit from commercial, residential and mixed use development in its downtown area. The village's principal employers include West Suburban Hospital Medical Center (1,341) and Rush Oak Park Hospital (980). Rush Oak Park Hospital is also the village's largest taxpayer at 0.8% of taxable value and recently announced a \$23 million expansion of its current facilities. At 4.5% as of August 2017, the village's unemployment levels are lower than those of the state (5.2%) and in-line with national figures. Resident income levels are very strong at 172.6% of the national median.

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.com](http://www.moody.com) for the most updated credit rating action information and rating history.



### **Financial Operations and Reserves: Despite improvements, operating liquidity remains somewhat limited**

Despite operational improvements, the village's financial reserves will remain limited relative to similarly rated entities. The village closed fiscal 2016 with a general fund operating surplus of \$841,000. When incorporating transfers and proceeds from the sale of village assets, available general fund reserves increased by \$3.2 million to \$8.5 million and 15.5% of general fund revenue. General fund reserves have improved in recent years, due to the repayment of an interfund loans from the village's parking enterprise and significant reductions in operating expenditures including reductions in staffing. At its peak, in fiscal 2007, the general fund was owed \$10.4 million from the Parking Fund. Four years prior, in fiscal 2012, available general fund reserves were \$2.9 million and 6% of revenues.

Inclusive of the debt service fund, the available operating fund reserves totaled \$10.8 million, or an adequate 18% of revenues. For fiscal 2017, the village has conservatively budgeted for balanced operations and reports year-to-date, operations are tracking near budget. A final budget for fiscal 2018 will not be approved until December, though village officials anticipate balanced operations. The village's 2018 budget will incorporate recent changes in state funding, including a newly imposed 2% administrative fee for the collection of sale taxes and a 10% reduction in the local government distributive fund, which distributes income taxes to local governments.

Sales tax revenues provide ample debt service coverage for sales tax debt service; maximum annual debt service coverage was 5.23 times in 2016.

### **LIQUIDITY**

Operating fund liquidity remains somewhat limited compared to similarly rated entities, though the village maintains alternate liquidity across a variety of funds. At the close of fiscal 2016, net cash across village operating funds totaled \$6.8 million and a limited 11.5% of operating revenue. Operating cash is lower than the fund balance due to interfund receivables of \$11.2 million and \$10.5 million within the general and debt service funds, respectively. Officials report the borrowing is a result of the village's practice of pooling cash across funds and interfund loans are generally repaid throughout the course of the following fiscal year. While a portion of funds may be repaid during the course of the year, there is not a detailed repayment plan or identified revenue source for repayment of all of the borrowing.

Across all governmental funds, available cash totaled \$30.0 million and a healthy 39% of governmental revenues. Net of \$9.3 million and \$5.6 million within the village's Madison Street TIF and non-major capital project funds available governmental liquidity was \$14.4 million and 19% of governmental revenues.

### **Debt and Pensions: Debt and pension burdens are key credit weakness**

Oak Park's debt and pension leverage is above average. Inclusive of the current sale, and net of debt expected to be repaid by the village's water and sewer enterprise, the village's direct debt burden was equivalent to 2.6% of full valuation and 1.8x operating revenue. The village's overall debt burden is also slightly elevated at 5.2% of full valuation and reflects the applicable debt issued by overlapping units of local government.

The village's sales tax debt flows to the city before being transferred to the trustee-held debt service accounts for payment of sales tax debt. The additional bonds test for sales tax debt is a satisfactory 1.5x operating revenue.

Oak Park's pension burden is high. As of fiscal 2016, the village's three-year average Moody's adjusted net pension liability (ANPL), our measure of a local government's pension burden, was 5.0x operating revenue and 7.4% of full valuation. Four years prior in fiscal 2012, the village's three-year average ANPL was 3.4x operating revenue and 3.5% of full valuation. Fixed costs consisting of debt service, pension contributions and other post employment benefit (OPEB) expenditures were \$17.9 million in fiscal 2016 or a high 30% of operating revenue and expected to continue growing.

### **DEBT STRUCTURE**

The village's long-term debt profile consists of \$104.5 million of outstanding GOULT bonds and \$9.2 million in sales tax revenue bonds. Debt service is essentially level and amortization of existing debt is average with 60% principal set to be retired over the next ten years.

### **DEBT-RELATED DERIVATIVES**

The village has no derivative exposure.

## PENSIONS AND OPEB

Oak Park manages two single-employer, defined benefit pension plans and is also a member of the Illinois Municipal Retirement Fund (IMRF), a defined benefit, multi-employer agent plan. The Moody's ANPL referenced above reflects the use of a market-based discount rate to value the plans' liabilities. Key sources of growth in the village's pension burden in recent years include investment returns that have fallen short of plan assumptions, changes in mortality assumptions, and village contributions that, while closely conforming with actuarially determined contributions, have not been sufficient to fully cover annual interest accruals on accumulated unfunded liabilities. Net of enterprise support, Oak Park's fiscal 2016 pension contributions were \$10 million and a high 16.8% of operating revenue. The village's public safety plans are by far the largest of its plans, and Oak Park contributed \$8.5 million to the public safety plans in fiscal 2016. This public safety plan contribution was \$2.8 million less than the amount needed for both plans to tread water<sup>1</sup>, or 3.7% of operating revenue. Public safety plan contributions are expected to increase by \$2.2 million for fiscal 2017. The tread water metric is sensitive to the reported discount rate. The village's two single employer plans use a discount rate of 6.5%, which is conservative relative to many other Illinois cities that continue to use higher rates. Still, the village is exposed to the risk of a growing pension burden should investment returns fall short of plan assumptions. Over the next several years, the village's pension contributions will be sized according to the actuarial determined amount and may include additional supplementary contributions as determined by the village board.

Unfunded OPEB liabilities do not pose a significant credit challenge to the village. Oak Park has a modest OPEB unfunded actuarial accrued liability of \$10.4 million and 0.2x operating revenues. The village's pay-go contribution in fiscal 2016 was equivalent to 0.9% of revenue.

## Management and Governance: Moderate Institutional Framework; Home Rule authority increases flexibility

Illinois cities have an Institutional Framework score of A, or moderate. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Revenue-raising ability is moderate overall but varies considerably. Home rule entities, like Oak Park, have substantial revenue-raising authority. The village can raise various local taxes and fees without approval by voters or the state. Expenditures are moderately predictable but cities have limited ability to reduce them given costs for pension benefits that enjoy strong constitutional protections. Revenue predictability is moderate, with varying dependence on property, sales, and stated distributed income taxes.

State shared income tax revenues accounted for 8% of operating fund revenues in fiscal 2016. Oak Park's home rule status provides significant financial flexibility as it is not subject to property tax levy limits, has no statutory debt ceiling, and has the power to impose a variety of taxes without voter approval.

## Legal Security

The village's GOULT debt, including the current issuances is secured by a dedicated property tax levy, unlimited as to rate and amount.

The village's outstanding sales tax revenue bonds are secured by collections of its home rule sales tax and state shared sales tax.

## Use of Proceeds

Proceeds from the Series 2017A Bonds current issuance will be used to fund the village's capital improvement plan, including various street and alley improvements.

Proceeds from the Series 2017B will be used to refund certain maturities of the village's outstanding General Obligation Corporate Purpose Bonds, Series 2007 for an expected net present value savings.

Proceeds from the Series 2017C will be used to refund certain maturities of the village's outstanding General Obligation Corporate Purpose Refunding Bonds, Series 2007A for an expected net present value savings.

## Obligor Profile

The Village of Oak Park is an inner ring Chicago suburb located approximately eight miles west of downtown and with a population estimated at 52,100.

## Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

## Ratings

Exhibit 2

### Oak Park (Village of) IL

Issue	Rating
General Obligation Corporate Purpose Refunding Bonds, Series 2017B	A1
Rating Type	Underlying LT
Sale Amount	\$1,445,000
Expected Sale Date	11/28/2017
Rating Description	General Obligation
General Obligation Corporate Purpose Refunding Bonds, Series 2017C	A1
Rating Type	Underlying LT
Sale Amount	\$2,880,000
Expected Sale Date	11/28/2017
Rating Description	General Obligation
General Obligation Corporate Purpose Bonds, Series 2017A	A1
Rating Type	Underlying LT
Sale Amount	\$13,430,000
Expected Sale Date	11/06/2017
Rating Description	General Obligation

Source: Moody's Investors Service

## Endnotes

- Our "tread water" indicator measures the annual government contribution required to prevent reported net pension liabilities from growing, given the entity's actuarial assumptions. An annual government contribution that treads water equals the sum of employer service cost and interest on the reported net pension liability at the start of the fiscal year. A pension plan that receives an employer contribution equal to tread water will end the year with an unchanged net pension liability relative to the beginning of the year if all plan assumptions hold. Net liabilities may decrease or increase in a given year due to factors other than the contribution amount, such as investment performance that exceeds or falls short of a plan's assumed rate of return. Still, higher contributions will always unfund liabilities faster, or will allow unfunded liabilities to grow more slowly than lower contributions. The degree to which contributions fall below the "tread water" indicator can help quantify a structural operating imbalance stemming from pension, even under reported assumptions. A contribution below the "tread water" level in effect suppresses expenditures by leaving an implied interest on net pension liabilities unpaid, akin to borrowing at the assumed rate of return for operations.

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## Summary:

# Oak Park Village, Illinois; General Obligation

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## Table Of Contents

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Rationale

Outlook

Related Research

## Summary:

# Oak Park Village, Illinois; General Obligation

### Credit Profile

US\$13.43 mil GO corp purp bnds ser 2017A due 11/01/2037

<i>Long Term Rating</i>	AA/Stable	New
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US\$2.88 mil GO corp purp rfdg bnds ser 2017C due 11/01/2020

<i>Long Term Rating</i>	AA/Stable	New
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US\$1.445 mil GO corp purp rfdg bnds ser 2017B due 11/01/2021

<i>Long Term Rating</i>	AA/Stable	New
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Oak Park Vill GO

<i>Long Term Rating</i>	AA/Stable	Affirmed
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#### **Oak Park Vill GO**

<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

## Rationale

S&P Global Ratings assigned its 'AA' long-term rating to Oak Park Village, Ill.'s series 2017A general obligation (GO) corporate purpose bonds, and to the village's 2017B and 2017C GO corporate purpose refunding bonds. The outlook is stable.

The proposed \$13.4 million in 2017A bonds will fund various capital improvement projects and are secured by revenue from the village's unlimited-tax GO pledge. The proposed \$1.4 million of 2017B bonds and \$2.9 million of 2017C bonds, which are currently refunding 2007 and 2007A bonds for interest cost savings, are secured by revenue from the village's unlimited-tax GO pledge.

The rating reflects our view of the village's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under our Financial Management Assessment methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 16% of operating expenditures;
- Very strong liquidity, with total government available cash at 60% of total governmental fund expenditures and 4.8x governmental debt service, and access to external liquidity we consider strong, but an exposure to a non-remote contingent liability risk;
- Very weak debt and contingent liability position, with debt service carrying charges at 12.4% of expenditures and net direct debt that is 119.8% of total governmental fund revenue, as well as a large pension and other postemployment benefit (OPEB) obligation; and

- Strong institutional framework score.

### **Very strong economy**

We consider Oak Park's economy very strong. The village, with an estimated population of 51,757, is located in Cook County in the Chicago-Naperville-Elgin MSA, which we consider to be broad and diverse. The village has a projected per capita effective buying income of 177% of the national level and per capita market value of \$80,375. Overall, the village's market value grew by 3.9% over the past year to \$4.2 billion in 2017. The county unemployment rate was 6.2% in 2016.

Oak Park is 8 miles west of downtown Chicago, and both Metra suburban commuter trains and Chicago Transit Authority elevated trains serve the village. The village is mostly built out and is primarily residential with a wide variety of rental and owner-occupied housing; it contains more than 60 homes and buildings designed by architect Frank Lloyd Wright, including his former studio. Equalized assessed value (AV) has fluctuated in recent years, with a 3.5% year-over-year drop in levy year 2015 valuation that was followed by a 3.9% year-over-year increase in levy year 2016. Properties in Oak Park will likely see a bump up in valuation due to the triennial reassessment next year. Additionally, the village expects that roughly \$300 million in new development, consisting of multifamily and mixed-use development, will add to its tax base in upcoming levy years. We believe that the new development will support Oak Park's very strong economic profile.

### **Strong management**

We view the village's management as strong, with "good" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Management provides the board with quarterly budget-to-actual reports. The annual budget ties in items from the annually updated, rolling five-year capital improvement plan. Management does not produce financial projections. The board adopted an investment policy, and receives treasurer's reports with portfolio information monthly. The formal fund balance policy requires a minimum general fund balance equal to at least 10% of the current year's expenditures, 60% of which should be cash and investments. The village does not have a debt management policy.

### **Strong budgetary performance**

Oak Park's budgetary performance is strong in our opinion. The village had operating surpluses of 1.9% of expenditures in the general fund and of 2.4% across all governmental funds in fiscal 2016.

Oak Park is a home-rule entity, which means that it is not subject to property tax rate or levy caps and can increase its home-rule sales tax without voter referendum.

We adjusted the village's general fund and total governmental funds expenditures to reflect bond proceeds spending and recurring transfers. For fiscal 2016, the village reported an \$841,827 general fund surplus prior to transfers and the sale of assets, which was achieved through positive budget variances. The \$2.3 million sale of two properties also contributed to the village's positive fiscal 2016 result in the general fund. The total governmental funds ended with a positive result when we deducted roughly \$9.4 million of expenses that were funded from bond proceeds.

Future performance of the total governmental funds could be dampened by spending down tax increment funds as two



tax increment financing (TIF) districts near their expiration. The village wants to be sure all the TIF eligible projects are completed as planned prior to TIF expiration.

The village expects to end fiscal 2017 with a general fund result that ranges from a modest deficit of \$200,000 to potentially break-even results. The village's sales tax revenues are slightly off budget, but expenditures are showing generally positive budget variances. Apart from spending down TIF funds, the village is not expecting any major deficits in any of the special revenue or governmental funds.

The village is still in the process of constructing its 2018 budget. Officials would like to increase the self insurance fund with a \$1 million transfer from the general fund. The village's personnel and personnel-related expenses are fairly predictable. Equalized assessed value is expected to grow, which could generate additional revenue for the village, depending on how it sets its tax levy.

We expect the village's overall budgetary performance will remain strong in 2017, and that officials will make every effort to balance its budget with no material use of reserves.

### **Very strong budgetary flexibility**

Oak Park's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 16% of operating expenditures, or \$8.5 million.

Available reserves consist of the general fund assigned and unassigned fund balances, which are considered available. The village's unassigned general fund balance improved in recent years as the parking fund repaid amounts borrowed from the general fund. Village officials expect to maintain reserves at the close of fiscal 2017; as such, we expect its available budgetary flexibility to remain at least strong.

### **Very strong liquidity**

In our opinion, Oak Park's liquidity is very strong, with total government available cash at 60% of total governmental fund expenditures and 4.8x governmental debt service in 2016. In our view, the village has strong access to external liquidity if necessary. Weakening Oak Park's liquidity position, in our assessment, is the village's exposure to a non-remote contingent liability that could come due within 12 months.

The village of Oak Park entered into direct purchase agreement with Community Bank of Oak Park River Forest in December 2015. The principal balance on the loan is currently roughly \$729,000, maturing Jan. 1, 2019. The village also entered into a direct purchase agreement with Pan American Bank in Melrose Park in September 2014. The principal balance on the loan is currently about \$335,000, maturing September 2019.

The loan agreements include payment provisions that change on the occurrence of certain events. The events of default slightly differ between the two agreements, but there are aspects of the events of default that, in our view, are permissive and are in the banks' favor. Some of these include covenant defaults, material adverse changes of the borrower's financial condition, lender insecurity, and so forth. The loan agreements in both cases allow the banks to accelerate all amounts due and payable if there is an event of default. The remaining interest and principal of these two loans represent 2% of general fund revenues, an amount which does not weaken our view of the village's liquidity. There are currently no events occurring that would indicate acceleration under the loan is imminent.

We believe the village has strong access to external liquidity because of its recent history of GO debt issuances. With management's projections for neutral financial results in 2017, we believe liquidity will likely remain very strong in the near term. We adjusted the village's total government available cash to account for restricted cash held in special revenue funds.

### **Very weak debt and contingent liability profile**

In our view, Oak Park's debt and contingent liability profile is very weak. Total governmental fund debt service is 12.4% of total governmental fund expenditures, and net direct debt is 119.8% of total governmental fund revenue.

The village indicates that it plans to issue an additional \$3 million to \$4 million in new money debt for various capital projects within the next year. The village has roughly \$116 million in GO debt, tax secured debt, capital leases and notes payable outstanding. Our calculation of debt burden includes the proportionate share of overlapping debt, including the GO alternate revenue source debt of various overlapping jurisdictions.

In our opinion, a credit weakness is Oak Park's large pension and OPEB obligation. Oak Park's combined required pension and actual OPEB contributions totaled 13.3% of total governmental fund expenditures in 2016. Of that amount, 12.6% represented required contributions to pension obligations, and 0.7% represented OPEB payments. The village made 105% of its annual required pension contribution in 2016. The funded ratio of the largest pension plan is 49.4%.

The village has three pension plans for its employees: separate single-employer, defined-benefit plans for the police and firefighters, and the Illinois Municipal Retirement Fund (IMRF) for other employees. Under GASB 68 reporting, the plans reported the following, based on a discount rate of 6.5%:

- The police pension plan: 49.4% funded, with an \$89.2 million net pension liability;
- The firefighters' plan: 36% funded, with a \$79.6 million net pension liability; and
- IMRF plan: 92% funded, with a \$6.5 million proportionate share of the net pension liability.

In our view, the village has taken positive steps to address its pension liabilities, though we recognize that it will take time for these liabilities to improve. Oak Park's policy is to amortize 100% of its police and fire pension liability, which is higher than the statutory threshold of reaching 90% funding, by 2040. As a result, the village's contributions for the past three years have been in excess of state required contributions.

With respect to retiree health care benefits, all retirees who stay on the village's plan contribute 100% of the premium to the plan, which results in an implicit subsidy to the village as defined by the GASB Statement No. 45.

### **Strong institutional framework**

The institutional framework score for Illinois home-rule cities and villages is strong.

## **Outlook**

The stable outlook reflects our expectation that we will not change the rating within the two-year horizon because we believe the village will take the steps it deems necessary to maintain balanced general fund operations in most years. We anticipate that the village will maintain very strong liquidity and very strong budgetary flexibility in the near term.

The village's participation in the broad and diverse Chicago MSA further supports the rating.

### **Upside scenario**

We could raise the rating in case of improvement in the village's very weak debt and contingent liability profile, including improvement with respect to the village's underfunded pension liabilities, and all other credit factors remain consistent.

### **Downside scenario**

We may lower the rating if Oak Park is unable to maintain balanced operations, causing budgetary performance and flexibility to weaken as a result.

## **Related Research**

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

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