

### Summary:

# Wheeling Village, Illinois; General Obligation

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### Credit Profile

US\$8.65 mil GO rfdg bnds ser 2011 due 12/15/2012-2023

Long Term Rating

AA/Stable

New

## Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to the village of Wheeling, Ill.'s series 2011 general obligation (GO) refunding bonds. At the same time, we affirmed our 'AA' long-term rating and underlying rating (SPUR) on the village's existing GO debt. The outlook is stable.

The ratings reflect our view of the village's:

- Access to and participation in the greater Chicago MSA,
- Strong income and very strong wealth levels,
- Very strong reserve levels despite recent drawdowns, and
- Moderate debt burden.

Partially offsetting the above strengths is our view of the recent drawdowns on the village's general fund reserves.

Wheeling (population: 37,648) is a home-rule municipality located 25 miles northwest of downtown Chicago in Cook County. The village benefits from access to Chicago's employment base, as well as growing suburban employment opportunities in Cook and Lake counties. The village's income levels are strong, in our view, with median household effective buying income at 117% and 120% of state and national levels, respectively. The village's unemployment rate was 8.7% in July 2011, below the state's 9.5% rate and the nation's 9.1% rate during the same time period.

Although the village is mostly built out, its tax base grew at an average annual rate of 6.2% from 2004 to 2008 before declining 1.5% in 2009 and 9.3% in 2010. Estimated market value in 2010 was \$3.68 billion, or \$97,743 per capita, which we consider very strong. The tax base is diverse, in our view, with the 10 leading taxpayers accounting for less than 12% of equalized assessed value.

The village's finances are very strong, in our opinion, as evidenced by very strong general fund reserves despite three consecutive years of drawdowns. Total fund equity has declined to \$14.19 million at fiscal year-end 2010 from a high of \$20.26 million in fiscal 2007. The village posted a \$1.27 million general fund deficit in fiscal 2010 (Dec. 31), bringing the unreserved general fund balance to \$13.59 million, or 47.2% of expenditures, which we still consider very strong. Management budgeted for a \$2.4 million deficit but was able to report better-than-budgeted results due to the elimination of positions and various savings across departments. The fiscal 2011 budget included an \$859,000 deficit, but management is currently projecting at least break-even results because the village has delayed capital expenditures and revenues are exceeding what was conservatively budgeted. Management also attributes the structural deficits to softer income tax and sales tax revenues but projects those revenue sources will continue to improve throughout the economic recovery. The preliminary fiscal 2012 budget includes a \$500,000 use

of reserves, but management expects to adopt a balanced budget.

The village's home-rule status provides it with a good degree of revenue flexibility, including the ability to levy a home rule sales tax and a food and beverage tax (both now at 1%). The village's very strong level of financial reserves serves to counterbalance its reliance on economically sensitive sales and income tax revenues, in our view. The fund balance remains well in excess of the village's 25% policy and we believe mitigates any concern of delays in state revenue.

The village's management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA) methodology. An FMA of "good" indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Management reviews ongoing revenues and expenditures on a monthly basis and provides the board of trustees with a monthly budget report. Financial planning is done with the help of five-year financial projections and a five-year capital improvement plan, both of which are updated annually. The village has its own investment policy, and the board is provided with a monthly investment report. The village's formal fund balance policy calls for the maintenance of general fund balance at 25% or higher of expenditures, a level the village historically met.

The village's overall net debt burden is, in our opinion, moderate at 4.2% of market value and \$4,136 per capita. Debt service carrying charges in fiscal 2010 were 11% of total governmental expenditures, less capital outlay, which we consider moderate. Debt amortization is average, with 43% of principal paid within 10 years. We understand the village has no formalized plans to issue additional debt but anticipates capital projects related to its water and sewer enterprise funds.

### **Pension and other postemployment benefits**

The village contributes to the Illinois Municipal Retirement Fund, a defined benefit agent multiple-employer public employee retirement system, a single-employer police pension plan, and firefighter's pension plan. The village made contributions equal to or in excess of the annual required contributions. The plans are 70.9%, 73.5%, and 70.3% funded, respectively.

The village provides postemployment health care and life insurance benefits to its retirees through a single-employer defined benefit plan. The village does not advance fund the cost of benefits and thus the unfunded actuarial accrued liability as of Dec. 31, 2009 was \$15 million and was 0% funded.

## **Outlook**

The stable outlook reflects our expectation that the village will continue to maintain very strong reserves and adjust its budget in order to offset further declines in revenue. We do not expect to change the ratings within the two-year outlook timeframe. The village's participation in the diverse Chicago metropolitan area economy provides further stability to the ratings.

## **Related Criteria And Research**

USPF Criteria: GO Debt, Oct. 12, 2006

**Ratings Detail** (As Of September 28, 2011)

<b>Ratings Detail</b> (As Of September 28, 2011) <b>(cont.)</b>		
Wheeling Vill		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<b>Wheeling Vill GO</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Wheeling Vill GO bnds ser 2003A dtd 07/01/2003 due 12/15/2005-2018</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Wheeling Vill GO bnds (cap apprec) ser 2003B dtd 07/10/2003 due 12/15/2007-2022</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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