



New Issue: [Highland Park \(City of\) IL](#)

**MOODY'S ASSIGNS Aaa RATING TO THE CITY OF HIGHLAND PARK, ILLINOIS' \$10 MILLION G.O. BONDS, SERIES 2005A AND \$2.075 MILLION G.O. REFUNDING BONDS, SERIES 2005B**

**Aaa RATING AFFIRMATION AFFECTS \$59.1 MILLION OF OUTSTANDING PARITY DEBT, INCLUDING CURRENT ISSUE**

Municipality  
IL

**Moody's Rating**

<b>ISSUE</b>	<b>RATING</b>
General Obligation Bonds, Series 2005A	Aaa
<b>Sale Amount</b> \$10,000,000	
<b>Expected Sale Date</b> 11/28/05	
<b>Rating Description</b> General Obligation Unlimited Tax	

General Obligation Refunding Bonds, Series 2005B	Aaa
<b>Sale Amount</b> \$2,075,000	
<b>Expected Sale Date</b> 12/14/05	
<b>Rating Description</b> General Obligation Unlimited Tax	

**Opinion**

NEW YORK, Nov 23, 2005 -- Moody's Investors Service has assigned Aaa rating to the City of Highland Park, Illinois' \$10 million General Obligation Bonds, Series 2005A and \$2.075 million General Obligation Refunding Bonds, Series 2005B. Both issues are secured by the city's general obligation unlimited tax pledge. The Series 2005A bonds will be used to finance the completion of the police headquarters facility project and fund infrastructure improvements in accordance with the city's five-year capital improvement plan. The Series 2005B bonds will refund a portion of the city's outstanding G.O. Bonds, Series 1997A for an estimated net present value savings of \$72,390 or 3.5% of refunded par. Concurrently, Moody's has affirmed the Aaa rating on the city's \$59.1 million of outstanding general obligation parity debt, including the current issuance. The Aaa rating, Moody's highest, incorporates the nearly mature yet moderately growing north shore Chicago suburb with strong wealth levels, well-managed financial operations with healthy reserves and additional financial flexibility derived from home-rule status, and modest debt burden as a result of well managed capital improvement program with rapid principal amortization.

## NEARLY MATURE YET MODERATELY GROWING NORTH SHORE CHICAGO SUBURB WITH STRONG WEALTH LEVELS

Moody's expects the city's wealthy and nearly mature Chicago suburban tax base to continue to grow moderately. Located about 26 miles north of Chicago (rated A1 positive outlook) on the north shore of Lake Michigan, the city enjoys a substantial amount of taxable resources. The tax base, currently valued at \$6.1 billion, has grown moderately at an average annual rate of 8.5% over the last five years. Most of the growth is derived from appreciation of existing property. However, recent additional growth was attributed to a tax increment financing district that was added to the tax rolls as well as the annexation of Fort Sheridan, where rapid residential development is expected for the next few years. Residential property comprises approximately 92.5% of taxable value and resident wealth levels far exceed state and national averages. Full value per capita is a very healthy \$195,375. Ample employment opportunities are evidenced by the County's relatively low unemployment rate of 4.3% (July 2005) when compared to the state and national averages of 6.1% and 5.2%, respectively.

## WELL MANAGED FINANCIAL OPERATIONS WITH HEALTHY RESERVES AND ADDITIONAL FINANCIAL FLEXIBILITY DERIVED FROM HOME-RULE STATUS

Moody's expects financial operations to remain sound going forward due to ample General Fund reserves and continued tax base growth. Additionally, the city's home-rule status provides financial flexibility to raise property taxes without limit, enact a local option sales tax and a real estate transfer tax among others, and to issue general obligation debt without voter approval. Successive years of operating surpluses during the 1990s have resulted in strong General Fund reserve levels. However, these levels declined in fiscal 2001 and fiscal 2002 due to transfers for non-recurring capital expenditures. It is important to note that the city had operating surpluses before these transfers were made. Despite these reductions, the General Fund balance stood at \$8.6 million, or a healthy 34.6% of General Fund revenues, for fiscal year 2003. During fiscal year 2004, the city implemented a 0.5% increase in sales tax effective January 1, 2003, which will generate \$2 million annually; \$1 million to be dedicated to debt service and \$1 million to capital improvements. This rate adjustment has resulted in a 30% overall increase in sales tax revenues fiscal year-to-date. Without these additional revenues, fiscal year-to-date sales have still increased 8.7%. The city posted a \$2.50 million surplus before transfers (net -\$2.70 million) and proceeds for the sale of a capital asset (\$3.87 million) in fiscal 2004. Accounting for the transfers, asset sale, and a prior period adjustment of -\$517,476, the city increased the fiscal 2004 General Fund to \$11.79 million or an ample 38.1% of General Fund revenues. Preliminary numbers indicate the fiscal 2005 General Fund balance will be \$28.5 million, which includes \$16.59 million in pension bond proceeds (Series 2004A and 2004B). Excluding this reserved amount, the fiscal 2005 General Fund balance is estimated at \$11.8 million or 38.3% of General Fund revenues. Municipal sales taxes comprise the largest portion of the operating revenue stream, accounting for 36.5% of revenues in fiscal year 2004, while property taxes comprised another 17.6%. Additionally, the city will implement a new Food and Beverage Tax, a Packaged Liquor Tax, and increase its Motor Fuel tax in the near term. Moody's expects these newly implemented measures will assist the city in adhering to its stated goal of maintaining a General Fund balance between 25% and 33% of General Fund revenues.

## MODEST DEBT BURDEN AS A RESULT OF WELL MANAGED CAPITAL IMPROVEMENT PROGRAM WITH AVERAGE PRINCIPAL AMORTIZATION

Moody's believes the city's debt burden will remain manageable due to continued tax base growth, additional support from non-property tax sources, and rapid principal amortization. The city's direct debt burden is minimal at 0.8% as the city has a history of financing capital projects pay-as-you go. As such, the need for debt financing has been minimal in recent years. The overall debt burden is modest at 2.3% incorporating \$93.5 million of debt from overlapping municipalities. Of the total overlapping debt, \$74.1 million is attributable solely to schools. Further mitigating the impact on the general levy, approximately 27.8% of the city's direct debt is supported by non-property tax sources; home-rule sales taxes, water revenues and county club revenues. The percentage of expenditures dedicated to debt service for fiscal year 2004 was slightly above average at 13% due to the aggressive payout schedule. Principal amortization is average with 66.6% of total debt retired within 10 years. City officials do not have plans to issue significant amounts additional debt in the near term, but may issue modest amounts to aid with smaller capital improvement projects.

### KEY STATISTICS:

2000 Population census: 31,365

2004 Full valuation: \$6.1 billion

Full value per capita: \$195,375

2000 Median family income: \$117,235 (211.1% of state)

2000 Per capita income: \$55,331 (239.5% of state)

2000 Median housing value: \$380,000 (290.5% of state)

Lake County unemployment rate (July 2005): 4.3%

Direct debt burden: 0.8%

Overall debt burden: 2.3%

Amortization of principal (10 years): 66.6%

Fiscal Year 2004 General Fund balance: \$11.79 million (38.1% of General Fund revenues)

Fiscal Year 2004 percentage of operating revenues derived from sales taxes: 36.5%

Post-sale parity debt: \$59.1 million, including current issue

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