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Ratings

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Summary:

Glencoe Village, Illinois; General Obligation

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Table Of Contents

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Credit Profile		
US$3.0 mil GO Bonds ser 2024 due 12/15/2043		
Long Term Rating	AAA/Stable	New

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Glencoe Village, Ill.'s anticipated $3.0 million series 2024 general obligation (GO) bonds.
- The outlook is stable.

Security

The village's full faith and credit and unlimited ad valorem property taxing powers secure its GO bonds.

Series 2024 bond proceeds will fund various capital projects.

Credit overview

Glencoe is a wealthy north shore community on Lake Michigan with easy access to downtown Chicago. Village management demonstrates a prudent and active approach to financial planning, taking such steps as developing a board-adopted pension funding plan to frontload and smooth annual funding contributions to the police pension plan. Although assessed values have yet to eclipse peaks achieved prior to the Great Recession, steady property tax growth has at least kept pace with expenditures, helping the village achieve a ninth consecutive operating surplus in fiscal 2023, per the village's estimates. Robust property and sales revenue performance contributed to a large $1.5 million operating surplus in fiscal 2023, versus a budgeted $1.4 million general fund drawdown.

The village plans to deploy some general fund reserves to fund capital projects during the five-year forecast period. The village board adopted a revised general fund reserve policy establishing a new minimum requirement of 25% of expenditures. The village's five-year forecast shows annual draws to fund capital projects, with the fund balance falling to 25% of expenditures in fiscal 2028, a level we still view as very strong.

Key credit factors include:

- Extremely strong economic metrics for the affluent and built-out residential village in Chicago's northern suburbs.
- Long run of positive operating results, which we expect to be sustained prior to planned outlays to fund capital projects. We do not expect these draws to bring available reserves below the very strong levels required by the village's policy-required minimum.
- Very strong management, with active board involvement and oversight along with a robust suite of adopted policies promoting prudent and risk-averse practices. Specific policies and practices include monthly reporting of budget-to-actual performance and investment account balance and earnings to the board, annually updated 10-year

capital plans with identified funding sources for planned projects, adopted debt and reserve policies, and annually updated five-year financial forecasts used as a tool in budgeting.

- Strong institutional framework.
- Weak debt profile based on metrics inclusive of plans to issue about $12 million in new GO debt during the next two years to utilize the remainder of its voter authorization to fund the village golf clubhouse project. The weak debt profile also reflects the village's large unfunded police pension plan net liability. These factors are somewhat mitigated by rapid amortization of existing debt and the village's adopted pension funding plan that we expect will help close the police pension plan funding gap in the coming years.

Environmental, social, and governance

The village's credit profile benefits from social capital opportunities reflected in extremely high wealth and income levels, which lend a greater degree of financial flexibility to the village than many of its peers in terms of its ability to generate revenues. We consider the village's environmental and governance risks neutral within our credit analysis.

Outlook

The stable outlook reflects our expectation that the village's economic metrics will remain supportive of the current rating, and that the village will maintain very strong available reserves supported by a suite of robust and prudent financial policies and practices.

Downside scenario

If higher than anticipated capital costs or other factors lead the village to draw down available reserves below the level required by its fund balance policy without plans to quickly replenish, we could lower the rating. In addition, if pension costs continue to rise and the funded ratio does not improve as expected, we could lower the rating if we view the village's debt profile or financial flexibility as materially weakened.

Credit Opinion

Rating above the sovereign

The village's debt is eligible to be rated above the sovereign, because we believe the village can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions", published Nov. 19, 2013, U.S. local governments are considered moderately sensitive to country risk. Locally derived revenue secures Glencoe's GO bonds. This limits the possibility of negative sovereign intervention. The institutional framework in the U.S. is predictable for local governments, allowing them significant autonomy, independent treasury management, and there is no history of negative government intervention.

Glencoe, Illinois--key credit metrics

	Most recent	Historical information		
		2022	**2021**	**2020**
Very strong economy				
Projected per capita EBI % of U.S.	267			
Market value per capita ($)	429,860			
Population		8,402	8,303	8,358
County unemployment rate(%)		5.0		
Market value ($000)	3,611,681	2,709,441	2,928,942	2,783,547
Ten largest taxpayers % of taxable value	3.9			
Strong budgetary performance				
Operating fund result % of expenditures		12.1	2.7	14.6
Total governmental fund result % of expenditures		11.8	4.6	12.4
Very strong budgetary flexibility				
Available reserves % of operating expenditures		70.5	55.0	64.3
Total available reserves ($000)		13,632	11,053	10,025
Very strong liquidity				
Total government cash % of governmental fund expenditures		82	75	95
Total government cash % of governmental fund debt service		770	804	874
Adequate management				
Financial Management Assessment	Strong			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		10.6	9.4	10.7
Net direct debt % of governmental fund revenue	121			
Overall net debt % of market value	3.0			
Direct debt 10-year amortization (%)	67			
Required pension contribution % of governmental fund expenditures		14.1		
OPEB actual contribution % of governmental fund expenditures		0.0		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022