



ISSUER COMMENT

16 March 2018

RATING

General Obligation (or GO Related)¹

Aa2	No Outlook
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Contacts

Gregory Max Sobel Associate Lead Analyst	+1.212.553.9587
gregory.sobel@moodys.com	

Rachel Cortez VP-Sr Credit Officer/ Manager	+1.312.706.9956
rachel.cortez@moodys.com	

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Village of Romeoville, IL

Annual Comment on Romeoville

Issuer Profile

The Village of Romeoville is located in Will County in northeastern Illinois, approximately 29 miles south of downtown Chicago. The county has a population of 685,378 and a moderate population density of 819 people per square mile. The county's median family income is \$90,541 (1st quartile) and the December 2017 unemployment rate was 5% (4th quartile)². The largest industry sectors that drive the local economy are retail trade, health services, and manufacturing.

Credit Overview

Romeoville has a very strong credit position, and its Aa2 rating slightly exceeds the US cities median of Aa3. Key credit factors include a robust financial position, a strong wealth and income profile and a sizable tax base. It also reflects a slightly elevated pension liability and a sizable debt burden.

Finances: The village's financial position is very healthy and is relatively favorable when compared to the assigned rating of Aa2. The cash balance as a percent of operating revenues (50.7%) is higher than the US median, and increased from 2013 to 2017. Additionally, Romeoville's fund balance as a percent of operating revenues (50.2%) is materially above other Moody's-rated cities nationwide.

Economy and Tax Base: The village has a quite healthy economy and tax base relative to its Aa2 rating. The median family income equates to a healthy 116.2% of the US level. Furthermore, the full value per capita (\$86,326) is roughly equivalent to the US median, and rose between 2013 and 2017. Lastly, the total full value (\$3.4 billion) is considerable compared to other Moody's-rated cities nationwide.

Debt and Pensions: Overall, Romeoville's debt and pension burdens are sizable, and they are quite unfavorable with respect to the assigned rating of Aa2. The village's Moody's-adjusted net pension liability to operating revenues (1.7x) unfavorably is slightly above the US median, and increased between 2013 and 2017. Moreover, the net direct debt to full value (3%) is much higher than the US median.

Management and Governance: Illinois cities have an Institutional Framework score³ of A, which is moderate compared to the nation. 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 have substantial revenue-raising authority. Non-home rule entities are subject to tax rate limitations. Total operating tax yield for non-home rule entities subject to the Property Tax Extension Limitation Law (PTELL) is capped to the lesser of 5% or CPI growth, plus new construction. Revenue

predictability is moderate, with varying dependence on property, sales, and state-distributed income taxes. Expenditures are moderately predictable but cities have limited ability to reduce them given strong public sector unions and pension benefits that enjoy strong constitutional protections.

Sector Trends - Illinois Cities

Illinois cities (a sector that includes cities, towns, and villages) face uncertainty stemming from the state's budgetary challenges. Proposals have been made to cut income tax distributions to cities and to freeze property tax revenues. Property valuations in the northern part of the state are beginning to rebound following substantial declines, though recovery continues to lag in some areas of the Chicago metro area. Downstate valuations have remained largely stable in recent years. Many cities are facing increased fixed costs arising from growing pension liabilities.

EXHIBIT 1

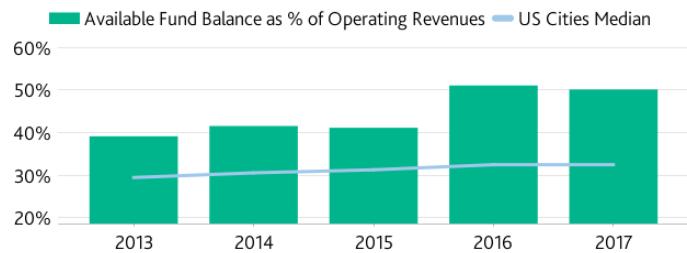
Key Indicators [4](#) [5](#) Romeoville

	2013	2014	2015	2016	2017	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$3,103M	\$3,103M	\$3,116M	\$3,199M	\$3,425M	\$1,787M	Improved
Full Value Per Capita	\$78,536	\$78,230	\$78,363	\$80,639	\$86,326	\$88,380	Improved
Median Family Income (% of US Median)	115%	114%	116%	116%	116%	113%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	39.2%	41.6%	41.2%	51.1%	50.2%	32.5%	Improved
Net Cash Balance as % of Operating Revenues	43.4%	49.0%	42.0%	54.3%	50.7%	35.4%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	3.3%	3.7%	3.6%	3.7%	3.0%	1.2%	Stable
Net Direct Debt / Operating Revenues	2.44x	2.65x	2.22x	2.53x	2.04x	0.93x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.3%	1.5%	1.8%	2.2%	2.5%	1.7%	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.97x	1.10x	1.12x	1.51x	1.72x	1.46x	Weakened
	2013	2014	2015	2016	2017	US Median	
Debt and Financial Data							
Population	39,520	39,675	39,774	39,680	39,680	N/A	
Available Fund Balance (\$000s)	\$16,415	\$18,004	\$20,684	\$24,192	\$25,099	\$7,221	
Net Cash Balance (\$000s)	\$18,180	\$21,213	\$21,101	\$25,709	\$25,343	\$7,930	
Operating Revenues (\$000s)	\$41,899	\$43,295	\$50,229	\$47,345	\$50,033	\$21,262	
Net Direct Debt (\$000s)	\$102,355	\$114,612	\$111,668	\$119,630	\$102,087	\$18,822	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$40,682	\$47,540	\$56,323	\$71,683	\$86,106	\$29,896	

Source: Moody's Investors Service

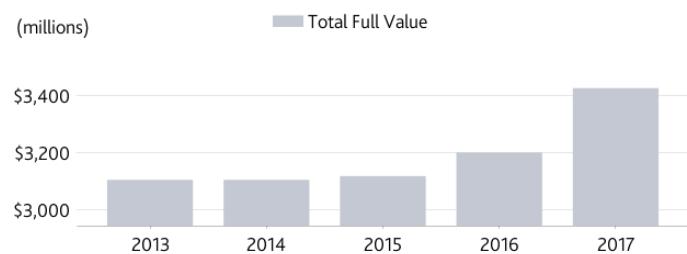
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EXHIBIT 2

Available fund balance as a percent of operating revenues increased from 2013 to 2017

Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

Full value of the property tax base increased from 2013 to 2017

Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2013 to 2017

Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
- 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.

- 3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
- 5 The medians come from our most recently published local government medians report, [Medians - Tax Base Growth Reinforces Sector Stability as Pension Troubles Remain \(March 2017\)](#) which is available on Moody's.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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