

**New Issue: MOODY'S ASSIGNS Aa2 RATING TO THE VILLAGE OF OSWEGO'S (IL) \$4.1 MILLION  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011**

---

Global Credit Research - 01 Nov 2011

**Aa2 RATING APPLIES TO \$34.8 MILLION OF POST SALE GO DEBT**

Municipality  
IL

**Moody's Rating**

ISSUE	RATING
General Obligation Refunding Bonds, Series 2011	Aa2
<b>Sale Amount</b>	\$4,050,000
<b>Expected Sale Date</b>	11/08/11
<b>Rating Description</b>	General Obligation Unlimited Tax

**Opinion**

NEW YORK, Nov 1, 2011 -- Moody's Investors Service has assigned a Aa2 rating to the Village of Oswego's (IL) \$4.1 million General Obligation Refunding Bonds, Series 2011. Concurrently, Moody's has affirmed the Aa2 rating on the village's outstanding general obligation debt. Post sale the village will have \$34.8 million of outstanding general obligation debt.

**SUMMARY RATINGS RATIONALE**

The bonds are secured by the village's general obligation unlimited tax pledge. Proceeds of the bonds will refund outstanding maturities of the village's Series 2004A and Series 2004B bonds for estimated net present value savings of \$130,000. Assignment and affirmation of the Aa2 rating reflects the village's sound financial position supported by healthy operating reserves and bolstered by the financial flexibility afforded by the village's recent designation as a home-rule unit of government; large and steadily growing tax base with above average income indices; and high overall debt burden moderated by a manageable level of direct debt retired from alternate revenue sources.

**STRENGTHS**

- Stable financial operations supported by satisfactory reserves
- Financial flexibility derived from home rule status

**CHALLENGES**

- Reliance on economically-sensitive sales and income tax revenues
- High overall debt burden

**DETAILED CREDIT DISCUSSION**

**SUBURBAN CHICAGO COMMUNITY WITH SIGNIFICANT RETAIL SECTOR**

The village's tax base will likely remain stable due to its location in the Chicago metropolitan region, a sizable regional retail footprint, and considerable land available for future development. The village is located approximately 50 miles southwest of downtown Chicago (Aa3/ stable outlook). The village's \$2.7 billion tax base has grown at an average annual rate of 7.9% over the last five years, primarily as a result of both commercial retail and residential development. While the village experienced double-digit growth annually throughout most of the decade, tax base declines in 2010 and 2011 reflect the impact of the broader national economy. Rapid residential construction since 1990 has led to tremendous population growth in this rapidly growing community, as evidenced by the 244% population growth rate from 1990 to 2000 and a 127.8% increase from 2000 to 2010. Favorably, this level exceeds the 25,000 population required to achieve home rule status in Illinois. As a result, the village is now designated a home-rule unit of government, providing a substantial degree of financial flexibility. Though new residential construction has slowed considerably, officials note that the village's issuance of building permits has remained relatively consistent over the past 3 years. Additionally, village officials stated that approximately 3,000 lots in the village are platted, reflecting the ample availability of land for future development. Rapid population growth has fueled commensurate commercial expansion, bolstering the village's sales tax collections. Over the last several years, several large retailers, including Kohl's, Best Buy, and Dick's Sporting Goods have opened. Resident income levels exceed state norms, with per capita and median family incomes equivalent to 117.7% and 136.7% of state medians, respectively.

**SOUND FINANCIAL PROFILE MARKED BY HEALTHY GENERAL FUND RESERVES; ADDITIONAL FLEXIBILITY AFFORDED BY HOME-RULE STATUS**

The village's financial operations are expected to remain stable as a result of conservative budget management as well as the financial flexibility derived from home rule status. Due to a series of operating surpluses, the village's General Fund reserves increased from \$3.3 million in fiscal 2004 to \$5.6 million at the close of fiscal 2010. Audited results from fiscal 2011 (ending April 30th) show an operating deficit of \$1.1 million. Total revenues exceeded expectations, most notably, with sales tax coming in approximately \$400,000 above the budgeted estimate. Additionally, total expenditures came in less than budget by \$460,000 due to cost containment initiatives and the postponing of capital expenditures. The village's General Fund operations were structurally balanced as the draw on reserves was transfer driven. Management noted the transferring of \$1.9 million from the General Fund to the Water and Sewer Fund to repay administrative costs that were initially transferred between 2002

and 2009. Additionally, management transferred out \$1.6 million for debt service purposes, reflecting the village's philosophy of financing debt service with alternate revenue sources. Management budgeted for balanced operations in fiscal 2012. Total General Fund revenues were scaled back by 6%. Management notes that revenues are tracking budget and expenditures are coming in approximately 3% below budget. As a result, management expects to conclude the year with a \$500,000 operating surplus. The village maintains a solid fund balance policy calling for a reserve level of three to six months of operating expenses, and management indicates the village has no expectation to draw down reserves from current levels over the near-term.

Though sales taxes represent the village's single largest source of General Fund revenues (38.7%), the village's revenue streams are relatively diverse as they also include state shared income taxes (16.4%), property taxes (10.5%); and charges for services (9.7%). Sales tax revenues grew by a substantial 29.6% in 2007, reflecting the opening of several new retailers within the village. After posting continued growth in 2008, the sales tax receipts fell by an estimated 7.6% in fiscal 2009, largely attributable to the weak national economy. Favorably, the revenue trends continue to strengthen and have been assisted by the implementation of a 0.5% Home Rule sales tax levy, which was effective in July 2010. Although the village is reliant upon sales tax receipts, an economically vulnerable revenue stream, this risk is off-set somewhat by the financial flexibility afforded by the village's recent designation as a home-rule unit of government. As a home-rule government, the village can implement a variety of revenue enhancements (including property, sales, utility, telecommunications, and food and beverage taxes) at will.

#### HIGH OVERALL DEBT BURDEN; MODERATE DIRECT DEBT RETIRED FROM ALTERNATIVE REVENUE SOURCES

The village's overall debt figure is very high at 11.3%. This figure largely reflects substantial school district borrowing in the surrounding area. Continued issuance on the part of Oswego CUSD 308 (Aa2) is expected to persist over the near term, as district voters approved the issuance of \$450 million in debt in November 2006 for the construction of additional school facilities and the expansion of existing facilities. At 1.3% however, the village's direct debt burden is average. Furthermore, all of the village's direct debt is supported by alternate revenue sources, including water and sewer fees, as well as sales and motor fuel tax receipts. Management has outlined the potential for the issuance of \$3 million for roadway and infrastructure improvements over the next 12 months. Amortization of principal is average with 65.1% of direct obligations retired within ten years. Though rapid development can deleteriously impact a municipality's debt profile, the village's direct debt has been managed in an effective manner. Given multiple supporting revenue streams and limited future borrowing needs, the village's debt burden is expected to remain manageable.

#### WHAT COULD CHANGE THE RATING - UP

- Significant expansion of the village's tax base
- Strengthening of General Fund reserves to levels above similarly rated entities

#### WHAT COULD CHANGE THE RATING - DOWN

- Weakening of the village's tax base and/or demographic profile
- Material declines in General Fund financial reserves and/or economically sensitive revenues

#### KEY STATISTICS:

2010 population: 30,355 (127.8% increase since 2000)

2011 Full valuation: \$2.7 billion

Full valuation per capita (estimate): \$88,838

Average annual growth in full valuation (2004-2008): 7.9%

Fiscal 2011 General Fund balance: \$4.5 million (32.7% of revenues)

Per capita income (as a % of state median): 117.7%

Median family income (as a % of state median): 136.7%

Debt burden (direct): 11.3% (1.3%)

Payout of principal (10 years): 65.1%

Post-sale GO debt outstanding: \$34.8 million, including the current issue

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

#### REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are considered EU Qualified by Extension and therefore available for regulatory use in the EU. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on [www.moody.com](http://www.moody.com).

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment

of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody.com](http://www.moody.com).

Information sources used to prepare the rating are the following: parties involved in the ratings, and parties not involved in the ratings.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see the ratings disclosure page on [www.moody.com](http://www.moody.com) for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on [www.moody.com](http://www.moody.com) for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on [www.moody.com](http://www.moody.com) for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on [www.moody.com](http://www.moody.com) for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website [www.moody.com](http://www.moody.com) for further information.

Please see [www.moody.com](http://www.moody.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

#### **Analysts**

Mark G. Lazarus  
Analyst  
Public Finance Group  
Moody's Investors Service

Edward Damutz  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

#### **Contacts**

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
USA



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL**

**MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.