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RESEARCH

Summary:

Northfield Township High School District No. 225, Illinois; General Obligation

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Credit Profile		
US$39.715 mil GO sch bnds ser 2007A dtd 01/01/2007 due 12/01/2014-2021		
Long Term Rating	AAA/Stable	New
US$18.505 mil Taxable GO sch bnds ser 2007C dtd 01/01/2007 due 12/01/2007-2014		
Long Term Rating	AAA/Stable	New
US$10.359 mil GO cap appre sch bnds ser 2007B due 12/01/2022-2024		
Long Term Rating	AAA/Stable	New

Rationale

The 'AAA' rating on Northfield Township High School District No. 225, Ill.'s GO school bonds series 2007A-2007C is based on the district's:

- Participation in the Chicago, Ill. MSA's deep and diverse economy;
- Very high wealth and income levels;
- Excellent financial management;
- Strong financial operations and reserve levels; and
- Moderate debt burden.

The bonds are general obligations of the district payable from ad valorem taxes on all property within the district, unlimited as to rate or amount.

The district operates two high school campuses, Glenbrook North and Glenbrook South, that serve the villages of Northbrook ('AAA' GO rating) and Glenview in northern Cook County about 25 miles north of downtown Chicago. The district's population is estimated at 83,319. The district's enrollment leveled off at 4,777 in the 2006-2007 school year after a 6% gain from 2001-2002 to 2005-2006. Residents, many of whom are professional and managerial workers, have access to a wide variety of jobs both locally in Cook and Lake counties, as well as in Chicago.

Unemployment in 2005 for the two villages was below the state (5.7%) and national (5.2%) rates, averaging just 4.3% and 4.5% for Glenview and Northbrook, respectively. Income levels for both villages are very high, with 2005 median household effective buying income for Glenview and Northbrook at 171% and 190%, respectively, of the national level. The tax base, which includes a major shopping mall and several offices, grew at an average annual rate of 8.5% from 2001-2005 to an equalized assessed value (AV) of $5.1 billion. The tax base is not concentrated as the 10 leading taxpayers only account for 7.8% of the total. The estimated market value of about $15.4 billion translates to a very high $184,434 per capita.

In spite of being subject to a levy cap equal to the lesser of 5% or the rate of inflation, except with regard to new construction, the district has maintained healthy reserves due, in good part, to its excellent financial management and growing tax base.

For the fiscal year that ended June 30, 2006, the district had a general fund operating surplus of $252,130. The district's unreserved general fund balance remained strong at $27.2 million, or 33.6% of expenditures and net transfers, but planned drawdowns for capital expenditures over the previous few years decreased the fund balance from a high of 52% of expenditures and net transfers in 2001. To help manage its budget, the district implemented a $1.8 million budget reduction plan to reduce nonteaching expenditures over fiscals 2005-2007. For fiscal 2007, the district anticipates ending with a small operating surplus in the general fund.

Liquidity is strong, with roughly $30.0 million of cash and investments held in the general fund in 2006. Additional liquidity is provided by the district's working cash fund, which held close to $10.0 million at the end of fiscal 2006, or 12.3% of general fund expenditures and net transfers. In 2006, 79.7% of the district's total governmental funds revenue was made up of property taxes. Due to the district's high wealth, state aid made up only 6.7% of general fund revenue.

The district's management practices are considered strong under Standard & Poor's Financial Management Assessment (FMA). An FMA of strong indicates that practices are strong, well embedded, and likely sustainable. Annual revenue and expenditure growth projections are made with the help of annual enrollment projections and surveys of both of the villages served by the district regarding new residential and commercial growth. Management prepares a detailed five-year budget forecast and 10-year capital plan, both of which are extended annually. The board receives monthly reports on budget performance. The district maintains its own investment policy based on state law as well as a formal reserve policy that requires operating cash reserves to equal at least 33% of expenditures. The district has a formal debt management policy.

The total debt burden including overlapping debt is high at $5,917 per capita, but moderate at 3.2% of market value. Debt service carrying charges were a low 4.2% of total governmental funds expenditures less capital outlay in fiscal 2006. The district's high income and wealth levels, mitigate concerns about the per capita debt burden. District voters authorized $94 million in bonds at the Nov. 7, 2006, election. Proceeds of the series 2007A-2007C bonds represent about $69 million of the authorization and will be used for renovations and improvements at the two high school campuses and also to refund a portion of the district's outstanding series 2000C and refund the outstanding series 2003 bonds. Future debt plans include issuing $15 million of the authorization in January 2008 for life safety projects and potentially the balance of the $94 million in the next five years.

Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectation that the district will maintain its strong financial operations and reserves as well as its moderate debt burden. The outlook is supported by the district's prime location in Chicago's northern suburbs and by its participation in the diverse Chicago metropolitan area economy.

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Ratings Detail (As Of 10-Jan-2007)

Northfield Twp High Sch Dist #225		
Long Term Rating	AAA/Stable	Affirmed

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