

MOODY'S

INVESTORS SERVICE

January 4, 2012

Mr. Benjamin Wehmeir
Village of Lemont
418 Main St.
Lemont, IL 60439

Edward Damutz
Vice President
Sr. Credit Officer

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Dear Mr. Wehmeir:

We wish to inform you that on January 4, 2012, Moody's Investors Service reviewed and assigned a rating of

- **Aa2** to LEMONT (VILLAGE OF) IL, General Obligation Bonds (Alternate Revenue Source), Series 2012A
- **Aa2** to LEMONT (VILLAGE OF) IL, Taxable General Obligation Bonds (Alternate Revenue Source), Series 2012B

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

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Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Genevieve Nolan at 312-706-9957

Sincerely,



Edward Damutz

CC:

Mr. Bob Vail
Bernardi Securities

MOODY'S

INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aa2 RATING TO THE VILLAGE OF LEMONT'S (IL) GO BONDS (ALTERNATE REVENUE SOURCE) SERIES 2012A AND 2012B; NEGATIVE OUTLOOK IS REMOVED

Global Credit Research - 04 Jan 2012

Aa2 RATING APPLIES TO \$33.9 MILLION OF GOULT DEBT, INCLUDING CURRENT OFFERINGS

LEMONT (VILLAGE OF) IL
Cities (including Towns, Villages and Townships)
IL

Moody's Rating

ISSUE		RATING
General Obligation Bonds (Alternate Revenue Source), Series 2012A		Aa2
Sale Amount	\$3,490,000	
Expected Sale Date	01/06/12	
Rating Description	General Obligation	
Taxable General Obligation Bonds (Alternate Revenue Source), Series 2012B		Aa2
Sale Amount	\$4,750,000	
Expected Sale Date	01/06/12	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, January 04, 2012 --Moody's Investors Service has assigned a Aa2 rating to the village of Lemont's (IL) \$3.5 million General Obligation Bonds (Alternate Revenue Source), Series 2012A and \$4.8 million General Obligation Bonds (Alternate Revenue Source), Series 2012B. Concurrently, Moody's affirms the Aa2 rating on the village's outstanding general obligation unlimited tax debt and removes the negative outlook. Post-sale, the village will have \$33.9 million of outstanding general obligation unlimited tax debt, including the current bonds.

SUMMARY RATINGS RATIONALE

The Series 2012A bonds are ultimately secured by the village's general obligation unlimited tax pledge, but debt service is expected to be paid with sales tax revenues. Proceeds will fund capital improvements to village hall, a new enterprise resource planning system and provide resources to pay an outstanding liability to the Illinois Tollway Authority, due in 2014. The Series 2012B bonds also enjoy an unlimited general obligation pledge, but debt service is expected to be repaid with revenues from the village's Gateway Tax Increment Financing District, sales tax revenue and state shared income tax revenue. Proceeds will be used to purchase multiple land parcels located in the TIF district. The village's long-term rating is based on its medium-sized tax base in the Chicago metropolitan area (Aa3/stable outlook);

recent increase in economically-sensitive revenue collections and associated stabilization of the General Fund; and a modest direct debt burden with limited future borrowing plans. The removal of the negative outlook reflects the increase in liquidity for operating expenses; the village's plan for paying its outstanding liability to the Illinois Tollway Authority; and the implementation of additional financial planning strategies.

STRENGTHS

- Moderately sized, diversified tax base in Chicago metropolitan area
- Strong financial planning strategies to minimize risk of future operating deficits

CHALLENGES

- General Fund exposure to economically-sensitive revenues
- Delays in state shared income tax revenue payments

DETAILED CREDIT DISCUSSION

DIVERSE TAX BASE IN CHICAGO METROPOLITAN AREA CONTINUES TO EXPERIENCE MODERATE GROWTH

It is expected that the village's tax base will continue to remain sound over the long-term due to the relative diversity of its property taxpayers, its favorable socioeconomic profile and its proximity to employment centers throughout the Chicago metropolitan area. Located in Cook (Aa3/stable outlook), DuPage (Aaa), and Will (Aa1) counties, Lemont is approximately 18 miles from downtown Chicago and is adjacent to major transportation networks, including Interstates 55 and 355. The village is also located along the Illinois and Michigan Canal and enjoys rail access on the Heritage Corridor. The village's medium-sized \$2.2 billion tax base continues to post year-over-year growth despite the ongoing economic downturn. Full value increased at an average annual rate of 12.3% between 2005 and 2010, with officials estimating an additional gain in the upcoming tax year. The village's tax base is also diverse, with the ten largest property taxpayers comprising just 7.2% of 2010 assessed valuation. Operations are reportedly stable among local employers, including the village's top employer, the Argonne National Laboratory. Residential and commercial redevelopment has occurred in the village's two downtown tax increment districts, although the pace has slowed in recent years. Resident income levels exceed state and national medians. Despite the valuation declines that many communities have experienced in the current recession, Lemont continues to experience strong base growth which is expected to continue as new businesses are looking to relocate to the village. Although the village is experiencing the impact of the economic recession as some business has left the area, its advantageous location bodes well for long-term economic health.

ECONOMICALLY SENSITIVE REVENUE STREAMS REBOUND; GENERAL FUND OPERATIONS STABILIZE DESPITE LIMITED REVENUE RAISING OPTIONS FOR NON-HOME RULE COMMUNITY

The village's financial operations are expected to remain satisfactory over the near term but are poised to continue recent gains given the rebounding of economically-sensitive revenue streams and the implementation of new budget management and long-term planning policies. Between fiscal years 2007 and 2009 the village's General Fund reserves fell from nearly \$2.3 million to a narrow \$597,000 or 7.1% of General Fund revenues. The village responded by implementing a series of expenditure reductions, including laying off four employees and implementing a hiring freeze on 14 vacant positions, ending fiscal 2010 with a General Fund operating surplus of \$178,000. Although the village's revenue raising ability is somewhat limited by its non-home rule status, management implemented two revenue enhancements in fiscal 2011 by increasing business license fees and implementing additional police administrative fees, which contributed to another operating surplus of \$188,000, bringing General Fund reserves back to \$855,000 or a satisfactory 10.2% of revenues.

For the current fiscal year the village is projecting an operating surplus of \$700,000, which would bring reserves to an estimated 19.9% of projected General Fund revenues. Management attributes the increase in part to a one-time increase in the General Fund property tax levy, which was offset by reduction on the IMRF pension and social security property tax levies, bi-annual vehicle sticker revenue, along with conservative budgeting practices. Going forward, the village has identified several additional revenue enhancements, if necessary, to rebuild reserves should revenues begin to decline. These options include levying an amusement tax or a food and drink tax, although management notes that these options are not being discussed at the moment. The village also has alternate liquidity in its working cash fund that totaled \$816,994 as of the close of fiscal 2011.

After a sharp decline in fiscal 2009, the village's economically-sensitive revenues continue to show signs of a recovery. In fiscals 2009 and 2010 state sales tax collections and state shared income tax receipts came in below the village's budgeted projections. The village budgeted conservatively in fiscal 2011, projecting slight declines in sales tax and income tax revenue streams. The two revenue streams increased by 3.9% and 2.7%, respectively, over fiscal 2010 collections. Officials announced new budgeting practices and long-term planning strategies aimed at providing closer inspection of ongoing expenditures and providing a clearer picture of the village's overall financial health. Combined, the stability in the General Fund, rebounding economically-sensitive revenue streams and additional financial planning and monitoring practices will likely provide enhanced financial stability for the village over the medium to long-term.

MODEST DIRECT DEBT BURDEN WITH LIMITED FUTURE BORROWING PLANS

The village's direct debt burden, currently 1.2% of estimated full property valuation, will likely remain at manageable levels due to limited future borrowing plans and a growing tax base. As part of the current issuance, the village is eliminating an additional expenditure pressure by bonding out its remaining \$1.3 million payment due to the Illinois Tollway Authority in 2014 related to the expansion of the Veteran's Memorial Tollway in Lemont. The village's overall debt burden is somewhat elevated at 4.7%, which primarily reflects significant borrowing by Lemont Township High School District No. 210 (Aa2). Amortization of the village's direct debt is below average, with 49.9% retired in ten years. The village's outstanding general obligation debt is supported by alternate revenues, mainly tax increment, sales taxes, and utility taxes. All of the village's outstanding debt is in fixed rate mode and the village is not a party to any interest rate swap agreements. Officials report no immediate future borrowing plans, aside from future TIF projects.

What could change the rating - UP:

- Significant growth in taxable valuation and socio-economic profile
- Increasing General Fund reserves and overall financial profile to that of similarly rated entities

What could change the rating - DOWN:

- Structural imbalance yielding further declines in General Fund reserve levels
- Deterioration in the city's tax base and economy

KEY STATISTICS

2010 population: 16,000 (22.2% increase over 2000)

2010 estimated full valuation: \$2.2 billion

1999 per capita income: \$28,354 (131% of U.S.)

1999 median family income: \$80,558 (161% of U.S.)

October 2011 Cook County unemployment rate: 10.3%

Fiscal 2010 General Fund balance: \$855,000 (10.2% of General Fund revenues)

Direct debt burden: 1.2%

Overall debt burden: 4.7%

Payout of principal (10 years): 49.9%

Post sale general obligation debt outstanding: \$33.9 million

PRINCIPAL METHODOLOGY USED

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's.com for a copy of this methodology.

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INVESTORS SERVICE

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