FitchRatings

FITCH AFFIRMS CHAMPAIGN, IL'S GO BONDS AT 'AAA'; OUTLOOK STABLE

Fitch Ratings-New York-30 January 2012: Fitch Ratings has affirmed the 'AAA' rating on Champaign, Illinois' (the city) $77.435 million of outstanding general obligation (GO) bonds.

The Rating Outlook is Stable.

SECURITY

The bonds are payable from ad valorem taxes levied on all taxable property within the city without limitation as to rate or amount.

KEY RATING DRIVERS

UNIVERSITY PROVIDES STABILITY: Champaign's stable economic base is anchored by the presence of the University of Illinois.

DIVERSE REVENUE STREAM: The city's revenue stream is fairly diverse and includes sales, property and income taxes; the city's home-rule taxing authority increases financial flexibility.

STRONG FUND BALANCE: Fund balance levels remain healthy, although the city remains dependent on economically sensitive revenues.

SOLID MANAGEMENT: Strong and steady financial management is reflected in conservative budgeting, sophisticated and comprehensive internal policies and active expense management.

CREDIT PROFILE

STABLE ECONOMY ANCHORED BY UNIVERSITY
Champaign is located about 135 miles south of Chicago, and had a 2010 population of 81,055, up 20% from the 2000 census population. Along with the adjacent city of Urbana, Champaign is home of the University of Illinois' primary campus. Champaign has grown at an accelerated pace through annexations in tandem with residential investment and cooperative economic planning efforts with neighboring communities and the university. The tax base has increased for the past five years, though at a slowing pace, and the city expects small declines in assessed value in coming years despite a small recovery in construction activity. The city does not anticipate additional annexations as recently annexed land is still being built out.

The unemployment rate of 7.8% as of November 2011 has declined from recent highs and remains below the state and national averages of 9.4% and 8.2%, respectively. Wealth levels are below average, reflecting the city's large student population.

STRONG FINANCIAL MANAGEMENT YIELDS CONSISTENTLY SOLID OPERATIONS
Conservative long-term planning, combined with close monitoring of revenue and expenditure growth, has sustained the city's consistently strong financial performance despite recessionary pressures. Five-year financial forecasts and monthly financial reports help guide the city's resource allocation and allow its timely response to challenging economic conditions. Champaign has seen some lag in the receipt of income tax payments from the state, but its solid cash position his mitigated the impact of this delay.

Sales tax receipts were down in fiscal 2009 and fiscal 2010, which caused modest shortfalls in the general fund. The sales tax rebounded in fiscal 2011, increasing 3.6%. The city has actively managed its expenses, including a reduction of 39 positions (8% of the workforce) since fiscal

2009, and smaller transfers to fund capital projects. Fitch believes the reduction in capital spending was prudent in helping the city to end the trend of deficits. As a result, the city finished fiscal 2011 with a $3.7 million surplus (6.3% of GF spending). The surplus increased the unreserved general fund balance to a strong $18.9 million or 31.6% of spending.

For fiscal 2012, several key revenue sources including the sales and income taxes are ahead of budget, and the city expects to finish the year with structurally balanced operations. Fitch believes the city's high fund balance level is key to maintaining the current rating level given that 50% of general fund revenue is derived from economically sensitive sales taxes.

MANAGEABLE DEBT AND PENSION OBLIGATIONS

Champaign's policy of financing routine maintenance and even large capital projects through operating sources have kept the city's infrastructure well maintained while minimizing its debt burden. As a result, the city's overall debt is a moderate $2,519 per capita and 4.4% of market value, with most of this consisting of debt issued by the county and local school districts. The city's debt amortizes rapidly with 61% paid within 10 years. The city does not anticipate issuing additional bonds for capital projects in the near future.

While pensions are funded at an adequate level, the city amortizes its outstanding police and fire liability through 2020 rather than 2033 as permitted by state law. The city also participates in the Illinois Municipal Retirement Fund, which is well-funded at 81.5% as of Dec. 31, 2010. The city's exposure to other post-employment benefits is limited, as retirees may remain in the city's plan but are responsible for 100% of their premium.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight, Zillow.com, National Association of Realtors.

Applicable Criteria and Related Research:
--'Tax-Supported Rating Criteria' (Aug. 15, 2011);
--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 15, 2011).

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Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648898
U.S. Local Government Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648842