

Research Update:

DuPage & Will Counties Community Unit School District No.204 (Indian Prairie), IL 2025 GO School Bonds Rated 'AAA'

May 20, 2025

Overview

- S&P Global Ratings assigned its 'AAA' rating to DuPage & Will Counties Community Unit School District No. 204 (Indian Prairie), Ill.'s \$151.1 million series 2025 general obligation (GO) school building bonds based on the application of "Methodology For Rating U.S. Governments," published Sept. 9, 2024.
- The outlook is stable.

Rationale

Security

The GO bonds are supported by unlimited ad valorem taxes. The bond proceeds will be utilized to make capital and security improvements across the district's facilities.

Credit highlights

The 'AAA' rating reflects the strength of the regional economy with robust per capita economic activity based on its participation in the Chicago metropolitan area and above-average incomes reflecting the home values in the area. The district's tax base has incomes that exceed the county levels and are at levels that we believe to be supportive of additional strength in our rating assessment. The rating is further supported by the district's track record of stable operating results and maintenance of strong reserves, both of which we expect will persist given the thoroughness of the financial management practices and policies utilized. One area of weakness in the credit profile are the projected debt metrics with the district being granted the authorization to issue \$420 million in debt. We understand the current plan is to issue the full authorized amount in four tranches, with this issuance being the second. A third issuance is expected in fiscal 2027 and the final issuance will be in 2029. Through the amortization of the earlier tranches, we understand that net direct debt will experience an increase of \$387 million

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at the peak if the district follows through with this. We believe that on a per capita basis, the debt will reach levels that is above peers at the current rating level. However, the district has a target debt service levy rate which it intends to maintain and relative to the size of the tax base the debt is not materially weaker than peers. With flexibility to alter the latter two tranches of debt, we expect that the debt service costs will remain very manageable and the debt burden as a percentage of market value will remain comparable with peers.

The fiscal 2026 budget is balanced, and fiscal 2025 is expected to finish with a minor deficit in the education and operation and maintenance funds (what S&P Global Ratings considers the combined general fund for Illinois school districts). However, across the working cash, transportation, and social security/IMRF funds the district expects it will have a surplus that offsets the deficit in the combined general fund. We understand that in addition to new development in the tax base, further budgetary flexibility should develop as the projects being financed will allow the district to transition from a facility it is currently leasing and they should provide energy efficiency improvements. Additionally, the district has kept temporary staffing that were brought in to provide counseling and other services to students during the pandemic that it has maintained without corresponding federal aid as students remain in need of these. With the need for these services diminishing, the district plans to eliminate these positions in 2026 and 2027, creating more budgetary flexibility. Operating results have historically been supported by the strength of the local tax base, new developments allowing the district to increase the local tax levy by more than what is allowed under the property tax extension limitation law (PTELL), and robust budgetary practices. Capacity for new development is diminishing but permit activity in the service area remains elevated by redevelopment. Through the PTELL the district can continue to increase its levy annually by the lesser of the annual change in of the consumer pricing index or 5% regardless of any changes in taxable valuation changes to existing property plus it can capture the tax value of any new developments.

Factors supporting the 'AAA' rating include:

- The gross county product (GCP) on a per capita basis of DuPage County exceeds what is seen throughout the country given its participation in the Chicago metropolitan area and the commercial and industrial/office activity throughout the county. While Will County's GCP per capita is lower, a majority of the district is located in DuPage and the district's income levels, including those in Will County, exceed those of DuPage County and the country. The local economy is supported by above average home values and market value per capita; employment, entertainment, and shopping opportunities throughout the city of Naperville, which is a key hub in the Chicago metropolitan area; and population trends that are more stable than that of the state and county.
- Historically stable reserves levels adhering to the district formal fund balance policy of 25% of revenue. With long-term financial planning and an above-average reliance on local taxes which have historically been more reliable than basic aid from the state, we expect that the district will be capable of maintaining reserves in compliance with its 25% of revenue policy. We expect that the district's fiscal 2026 results will not materially deviate from the balanced budget that was adopted and that the deficit in fiscal 2025 will be de minimis.
- Robust financial practices that utilize numerous external sources and forecast out what impact the current budget will have on future budgets. There is long-term financial planning utilized throughout the year and during the development of the budget. The district has utilized third party assessments of its facilities ahead of debt capacity increasing but it does not have a capital plan it updates annually. There is a formal fund balance policy that includes other funds beyond what S&P incorporates into our available reserve metrics and to

which the district has historically complied with, a robust investment policy with regular reporting of holdings, and a debt management policy that mirrors the statutory recommendations. We believe the district's cyber-security prevention efforts mirror those of peers.

- Following the third and fourth tranches of authorized debt, we expect the district's debt will be at levels that will remain affordable for the district and its tax base but will be somewhat elevated relative to peers on a per capita basis. While S&P Global Ratings does not expect there to be any additional debt beyond what was approved by voters in the next few years, debt metrics could approach levels that potentially pressure the rating if additional borrowing occurs. We do not view pension and other post-employment liabilities and costs as a material pressure with the state carrying a majority of the responsibility for the poorly funded Teachers' Retirement System (TRS).
- Institutional framework that is stronger than typical for an Illinois school because the district has more limited reliance on state funding and its audits are done in accordance with Generally Accepted Accounting Principles. For more information, see "Institutional Framework Assessment: Illinois Local Governments," published Sept. 10, 2024.

Environmental, social, and governance

Environmental, social, and governance factors are neutral. While TRS's weak funding brings some risk of higher costs if the state should shift a share of its annual payments to schools, as has been proposed in the past, we do not consider this a governance risk, given that the district's current cost burden is minimal and our view that a near-term cost shift is unlikely.

Rating above the sovereign

The district's GO debt is eligible to be rated above the sovereign because we believe it can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013, we consider U.S. local governments to have moderate sensitivity to national risk. The district's ad valorem tax pledge is the primary source of debt security, severely limiting the possibility of negative sovereign intervention in debt repayment or operations. In addition, in 2024, local property taxes generated approximately 65% of combined general fund revenue and state aid generated 30%, demonstrating a lack of dependence on central government revenue.

Outlook

The stable outlook reflects our expectation that operations will remain balanced through at least the next two years, with reserves across the education, operations and maintenance, transportation, working cash and social security/IMRF funds remaining above the 25% minimum aggregate threshold specified in the district's fund balance policy. The outlook also reflects our expectation that the additional debt approved by voters will not materially weaken our debt assessment more than we have already accounted for in our current assessment.

Downside scenario

Although we consider it unlikely, we could lower the rating if there is any deterioration in the district's operating performance that results in significantly weaker reserves, or debt metrics weaken materially more than our current expectations.

DuPage & Will Counties Community Unit School District No. 204 Indian Prairie, Illinois--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.63
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.65
Debt and liabilities	2.50

DuPage & Will Counties Community Unit School District No. 204 Indian Prairie, Illinois--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	163	--	163	164
County PCPI % of U.S.	137	--	137	137
Market value (\$000s)	20,681,004	20,681,004	19,192,373	18,285,840
Market value per capita (\$)	152,871	152,871	141,867	131,756
Top 10 taxpayers % of taxable value	3.6	3.6	3.1	3.4
County unemployment rate (%)	4.1	--	--	4.1
Local median household EBI % of U.S.	159	--	159	157
Local per capita EBI % of U.S.	147	--	147	142
Local population	135,284	--	135,284	138,786
Financial performance				
Operating fund revenues (\$000s)	--	517,033	490,472	466,517
Operating fund expenditures (\$000s)	--	508,770	472,854	450,983
Net transfers and other adjustments (\$000s)	--	(303)	1,096	--
Operating result (\$000s)	--	7,960	18,714	15,534
Operating result % of revenues	--	1.5	3.8	3.3
Operating result three-year average %	--	2.9	3.1	2.5
Enrollment	--	25,935	25,687	25,944
Reserves and liquidity				
Available reserves % of operating revenues	--	25.9	26.3	24.5

DuPage & Will Counties Community Unit School District No. 204 Indian Prairie, Illinois--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Available reserves (\$000s)	--	133,876	129,105	114,495
Debt and liabilities				
Debt service cost % of revenues	--	4.6	5.2	5.1
Net direct debt per capita (\$)	1,514	461	644	772
Net direct debt (\$000s)	204,864	62,319	87,090	107,120
Direct debt 10-year amortization (%)	47	100	100	100
Pension and OPEB cost % of revenues	--	1.0	1.0	1.0
NPLs per capita (\$)	--	245	284	120
Combined NPLs (\$000s)	--	33,104	38,431	16,600

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$151.095 mil GO sch bldg bnds ser 2025 due 01/15/2045

Long Term Rating AAA/Stable

New Rating

Local Government

DuPage & Will Cntys Comnty Unit Sch Dist #204 Indian Prairie, IL Unlimited Tax General Obligation AAA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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