

ISSUER COMMENT

7 June 2019

RATING

General Obligation (or GO Related) ¹

Aaa Stable

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DuPage & Cook Counties CCSD 181 (Hinsdale), IL

Annual Comment on Hinsdale CCSD 181

Issuer Profile

DuPage & Cook Counties CCSD 181 (Hinsdale) is located in northeastern Illinois and is headquartered in Clarendon Hills, approximately 20 miles southwest of the Chicago Loop. The county has a population of 931,826 and a high population density of 2,793 people per square mile. The county's median family income is \$103,731 (1st quartile) and the April 2019 unemployment rate was 2.9% (1st quartile) ². The largest industry sectors that drive the local economy are professional/scientific/technical services, health services, and retail trade.

Credit Overview

The credit position for Hinsdale CCSD 181 is superior, and its Aaa rating is much stronger than the US school districts median of Aa3. Notable credit factors include a very healthy financial position, a very strong wealth and income profile and a large tax base. The credit position also reflects a negligible pension liability and an affordable debt burden.

Finances: The district has a robust financial position, which is consistent with the assigned rating of Aaa. Cash balance as a percent of operating revenues (59.9%) far surpasses the US median, and rose materially from 2014 to 2018. In addition, Hinsdale CCSD 181's fund balance as a percent of operating revenues (44.3%) is far superior to the US median. State pension payments made on-behalf of school districts are recorded as a district revenue source and have been rising significantly in recent years. As a result, a district with no change in its absolute reserve position will experience a declining ratio of fund balance to revenues.

Economy and Tax Base: The economy and tax base of the district are exceptionally strong and are aligned with its Aaa rating. Median family income is a robust 290.5% of the US level. Additionally, full value per capita (\$276,834) is materially above other school districts nationwide, and increased dramatically from 2014 to 2018. Lastly, total full value (\$7.3 billion) is much stronger than the US median.

Debt and Pensions: Overall, Hinsdale CCSD 181 has affordable debt and pension burdens, yet they are slightly weak in relation to the assigned rating of Aaa. Moody's-adjusted net pension liability to operating revenues (0.38x) favorably is materially lower than the US median, and stayed the same between 2014 and 2018. The low pension burden is primarily the result of payments made by the State of Illinois on behalf of school districts, which may not continue going forward. In addition, the district's net direct debt to full value (1.3%) is roughly equivalent to the US median.

Management and Governance: Illinois school districts have an Institutional Framework score ³ of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. School districts have moderate revenue-raising ability since they are subject to tax caps, but districts can seek voter approval for additional local property tax funding. Revenue predictability is disparate across the state: revenue for property tax dependent districts are very stable, while revenue for state aid dependent districts are less stable. Strong public sector unions somewhat limit districts' expenditure reduction ability. Still, districts have some cost-cutting ability given manageable fixed costs, as the state currently assumes most pension costs. Expenditures consist primarily of personnel costs, which are highly predictable.

Sector Trends - Illinois School Districts

The operating environment for school districts has improved over the last two years given the implementation of a new state aid formula and the state's passage of a fiscal 2019 budget which is expected to enhance the reliability of state revenue over the next year. The new "evidenced based" funding model that the state adopted in 2017 includes a hold-harmless provision so no districts will receive reduced aid because of the formula change or because of declining enrollment. Property wealthy districts within the Chicago metropolitan area tend to have low dependence on state operating aid, while districts outside of the Chicago area and/or districts with high rates of poverty are more reliant on state funding. Recent legislation shifting responsibility for new employees' pensions to school districts has yet to be implemented administratively. While the impact of that legislation will likely be very gradual, there remains risk that the state could enact a broader cost-shift in the future. Outside of Chicago, charter schools have a limited presence in the state.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 1

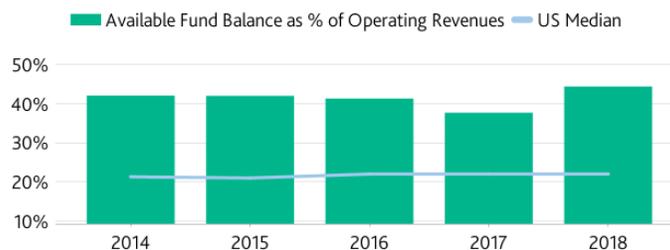
Key Indicators 4.5 Hinsdale CCSD 181

	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$5,788M	\$5,832M	\$6,272M	\$6,761M	\$7,307M	\$1,906M	Improved
Full Value Per Capita	\$221,486	\$222,569	\$237,631	\$255,155	\$276,834	\$84,623	Improved
Median Family Income (% of US Median)	287%	289%	289%	291%	291%	102%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	42.0%	41.9%	41.2%	37.6%	44.3%	22.0%	Stable
Net Cash Balance as % of Operating Revenues	46.9%	45.2%	45.4%	44.1%	59.9%	26.8%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.3%	1.2%	1.0%	0.8%	1.3%	1.5%	Stable
Net Direct Debt / Operating Revenues	1.08x	0.98x	0.85x	0.78x	1.34x	0.71x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.3%	0.4%	0.4%	0.4%	0.4%	2.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.27x	0.30x	0.32x	0.37x	0.37x	1.42x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	26,135	26,204	26,395	26,499	26,395	N/A	
Available Fund Balance (\$000s)	\$28,642	\$28,981	\$29,143	\$26,242	\$32,610	\$8,985	
Net Cash Balance (\$000s)	\$31,992	\$31,261	\$32,055	\$30,753	\$44,072	\$10,862	
Operating Revenues (\$000s)	\$68,184	\$69,101	\$70,649	\$69,702	\$73,573	\$41,251	
Net Direct Debt (\$000s)	\$73,507	\$67,615	\$59,755	\$54,181	\$98,611	\$28,020	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$18,450	\$20,591	\$22,334	\$26,004	\$27,565	\$55,897	

Source: Moody's Investors Service

EXHIBIT 2

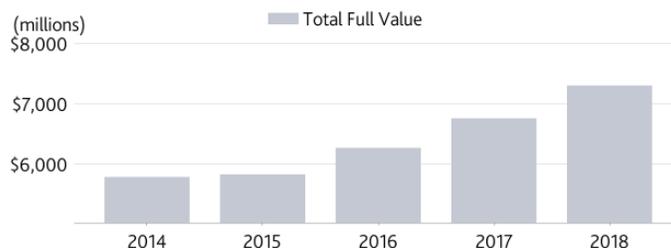
Available fund balance as a percent of operating revenues was consistent from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues remained stable from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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