

## CREDIT OPINION

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# Cook County CCSD 64 (Park Ridge), IL

## Update to credit analysis

### Summary

[Cook County Community Consolidated School District 64 \(Park Ridge\), IL \(Aa1\)](#) is characterized by its strong local economy and declining enrollment. Reserves are strong but will decrease based on planned draws. Even so, projected ending levels are in line with similarly rated peers. Leverage and fixed costs are modest.

### Credit strengths

- » Strong local economy
- » Modest leverage

### Credit challenges

- » Planned draws on reserves
- » Declining enrollment

### Rating outlook

Moody's does not typically assign outlooks to local governments with this amount of debt.

### Factors that could lead to an upgrade

- » Increases of reserves that exceeds 50% of operating revenues
- » Moderation of outstanding debt

### Factors that could lead to a downgrade

- » Material declines in reserves that deviate significantly from projected ending levels for fiscal 2023
- » Substantial increase in long-term liabilities or fixed costs

## Key indicators

Exhibit 1

### Cook County C.C.S.D. 64 (Park Ridge), IL

|                                | 2019        | 2020        | 2021        | 2022        | Aa Medians  |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Economy</b>                 |             |             |             |             |             |
| Resident income                | 174.5%      | 170.1%      | 169.9%      | N/A         | 119.0%      |
| Full value (\$000)             | \$4,893,660 | \$5,719,006 | \$5,843,673 | \$5,404,907 | \$4,006,926 |
| Population                     | 40,080      | 40,289      | 43,044      | 43,495      | 32,280      |
| Full value per capita          | \$122,097   | \$141,950   | \$135,760   | \$124,265   | \$117,713   |
| Enrollment                     | 4,678       | 4,754       | 4,362       | 4,311       | 4,165       |
| Enrollment trend               | 1.2%        | 1.3%        | -2.3%       | -2.7%       | -1.1%       |
| <b>Financial performance</b>   |             |             |             |             |             |
| Operating revenue (\$000)      | \$98,979    | \$101,633   | \$101,133   | \$107,689   | \$73,934    |
| Available fund balance (\$000) | \$48,863    | \$45,303    | \$44,453    | \$43,617    | \$19,809    |
| Net cash (\$000)               | \$52,291    | \$49,320    | \$47,707    | \$46,905    | \$23,502    |
| Available fund balance ratio   | 49.4%       | 44.6%       | 44.0%       | 40.5%       | 28.9%       |
| Net cash ratio                 | 52.8%       | 48.5%       | 47.2%       | 43.6%       | 33.9%       |
| <b>Leverage</b>                |             |             |             |             |             |
| Debt (\$000)                   | \$12,524    | \$11,108    | \$8,198     | \$31,558    | \$52,862    |
| ANPL (\$000)                   | \$35,141    | \$40,944    | \$45,836    | \$33,203    | \$130,338   |
| OPEB (\$000)                   | \$48,468    | \$52,334    | \$52,840    | \$40,334    | \$11,158    |
| Long-term liabilities ratio    | 97.1%       | 102.7%      | 105.7%      | 97.6%       | 342.1%      |
| Implied debt service (\$000)   | \$1,109     | \$913       | \$795       | \$575       | \$3,664     |
| Pension tread water (\$000)    | \$988       | \$1,460     | \$1,310     | \$712       | \$3,270     |
| OPEB contributions (\$000)     | \$690       | \$715       | \$668       | \$663       | \$367       |
| Fixed-costs ratio              | 2.8%        | 3.0%        | 2.7%        | 1.8%        | 12.2%       |

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Cook County C.C.S.D. 64 (Park Ridge), IL's financial statements and Moody's Investors Service

## Profile

The district is located roughly 15 miles northwest of [Chicago](#) (Baa3 stable) in Cook County (A1 stable) and serves the [City of Park Ridge](#) (Aa2) and the [Village of Niles](#) (Aa2). The district operates five elementary schools two middle schools and one pre-elementary school in which it provides pre-K through eighth grade education to about 4,500 students. The district has approximately 43,500 residents.

## Detailed credit considerations

The district's strong local economy with above average resident income and resident wealth will remain based on its proximity in the Chicago metro area. Property tax values in Park Ridge and Niles have shown significant growth in 2023, which positively affects the amount received in operating revenues. Enrollment for the district has shown a slight decline over the past three year average and is forecasted to continue with a slight decline going into the fall enrollment count.

The district's strong reserves will decrease due to a large transfer out of the general fund, but remain sizeable. Even so, reserves will remain in line with similarly rated peers. As of fiscal 2022 (fiscal year-end June 30th), the district had approximately \$43.6 million in available fund balance, or roughly 40% of operating revenues. While fiscal 2023 results are not yet available, preliminary results show that reserves will decrease by nearly \$29.5 million or around 24% of operating revenues. While the transfer is significant, it is not a material credit risk because reserves will remain in line with peers. Leverage is modest and is expected to increase slightly with the upcoming Series 2024 issuance. Leverage will fall over the long term due to the pace of amortization and lack of additional borrowing

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## ESG considerations

### Environmental

Environmental risks for local governments is typically low. Data from Moody's ESG Solutions shows that Cook County has high exposure to heat and water stress, modest exposure to wildfires and low exposure to floods. These risks are not projected to weigh on the district's credit profile in the next three to five years.

### Social

Social considerations are a factor in the district's credit profile. The median age of district residents (44.2) is slightly above the state (38.7) and national (38.5) medians. The district's population has grown steadily over the last decade, staying at around 43,500 residents in 2022. Resident incomes are average for the rating category, totaling about 170% of the national median.

### Governance

The district's governance is sound. While the district doesn't have a formal fund balance policy, they seeks to maintain a year-end fund balance to revenue ratio of no less than 30 percent. While they are currently exceeding their fund balance policy, a planned transfer from the general fund will decrease their reserves that will narrow the gap while still being above their informal policy.

Illinois tier 3 and tier 4 schools districts have an Institutional Framework score <sup>1</sup> of Aa. Such districts typically receive the bulk of revenue through locally controlled property tax revenues. Local school boards set the property tax levy each year subject to tax caps. The state's property tax caps provide enough room for districts to raise property taxes each year by a material and steady amount. Districts can request voter approval for increases that exceed the caps.

## Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 2

### Cook County C.C.S.D. 64 (Park Ridge), IL

|   | Measure | Weight | Score      |
|---|---------|--------|------------|
| <b>Economy</b>  |         |        |            |
| Resident Income (MHI Adjusted for RPP / US MHI)                                     | 169.9%  | 10.0%  | Aaa        |
| Full value per capita (full valuation of the tax base / population)                 | 124,265 | 10.0%  | Aa         |
| Enrollment trend (three-year CAGR in enrollment)                                    | -1.5%   | 10.0%  | A          |
| <b>Financial performance</b>  |         |        |            |
| Available fund balance ratio (available fund balance / operating revenue)           | 40.5%   | 20.0%  | Aaa        |
| Net cash ratio (net cash / operating revenue)                                       | 43.6%   | 10.0%  | Aaa        |
| <b>Institutional framework</b>  |         |        |            |
| Institutional Framework   | Aa      | 10.0%  | Aa         |
| <b>Leverage</b>   |         |        |            |
| Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue) | 97.6%   | 20.0%  | Aaa        |
| Fixed-costs ratio (adjusted fixed costs / operating revenue)                        | 1.8%    | 10.0%  | Aaa        |
| <b>Notching factors</b>   |         |        |            |
| Potential cost shift from state   | -0.50   |        |            |
| Scorecard-Indicated Outcome   |         |        | Aa1        |
| <b>Assigned Rating</b>  |         |        | <b>Aa1</b> |

The complete list of outstanding ratings assigned to the Cook County C.C.S.D. 64 (Park Ridge), IL is available on their [issuer page](#). Details on the current ESG scores assigned to the Cook County C.C.S.D. 64 (Park Ridge), IL are available on their [ESGView page](#).

Sources: US Census Bureau, Cook County C.C.S.D. 64 (Park Ridge), IL's financial statements and Moody's Investors Service

## Appendix

Exhibit 3

### Key Indicators Glossary

|                                | Definition   | Typical Source*   |
|--------------------------------|--|---|
| <b>Economy</b>                 |  |   |
| Resident income                | Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US  | MHI: American Community Survey (US Census Bureau)<br>RPP: US Bureau of Economic Analysis              |
| Full value (\$000)             | Estimated market value of taxable property accessible to the district  | State repositories, district's audited financial reports, offering documents or continuing disclosure |
| Population                     | Population of school district  | American Community Survey (US Census Bureau)  |
| Full value per capita          | Full value / population of school district   |   |
| Enrollment                     | Student enrollment of school district  | State data publications   |
| Enrollment trend               | 3-year Compound Annual Growth Rate (CAGR) of Enrollment  | State data publications; Moody's Investors Service  |
| <b>Financial performance</b>   |  |   |
| Operating revenue (\$000)      | Total annual operating revenue in what we consider to be the district's operating funds  | Audited financial statements  |
| Available fund balance (\$000) | Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds  | Audited financial statements  |
| Net cash (\$000)               | Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds  | Audited financial statements  |
| Available fund balance ratio   | Available fund balance / Operating Revenue   | Audited financial statements  |
| Net cash ratio                 | Net Cash / Operating Revenue   | Audited financial statements  |
| <b>Leverage</b>                |  |   |
| Debt (\$000)                   | District's direct gross debt outstanding   | Audited financial statements; official statements   |
| ANPL (\$000)                   | District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits                                  | Audited financial statements; Moody's Investors Service   |
| OPEB (\$000)                   | District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits | Audited financial statements; Moody's Investors Service   |
| Long-term liabilities ratio    | Debt, ANPL and OPEB liabilities as % of operating revenue  | Audited financial statements, official statements; Moody's Investors Service                          |
| Implied debt service (\$000)   | Annual cost to amortize district's long-term debt over 20 years with level payments  | Audited financial statements; official statements; Moody's Investors Service                          |
| Pension tread water (\$000)    | Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met     | Audited financial statements; Moody's Investors Service   |
| OPEB contributions (\$000s)    | District's actual contribution in a given period, typically the fiscal year  | Audited financial statements; official statements   |
| Fixed-costs ratio              | Implied debt service, pension tread water and OPEB contributions as % of operating revenue   | Audited financial statements, official statements, pension system financial statements                |

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Investors Service

## Endnotes

- The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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