MOODY'S RATINGS

CREDIT OPINION
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City of Naperville, IL

Update to credit analysis

Summary

The City of Naperville, IL benefits from a growing economic base, stable financial profile supported by budgetary flexibility associated with its home rule status and its role as the second largest local economy in Illinois.

Credit strengths

» Large and growing economic base in the Chicago metropolitan area with very strong resident income and full value per capita

» Significant flexibility afforded by the city's home rule status

» Low leverage and fixed costs

Credit challenges

» Reserves are solid but trail other Aaa-rated cities

Rating outlook

We do not assign outlooks to local government issuers with this amount of debt.

Factors that could lead to an upgrade

» Not applicable

Factors that could lead to a downgrade

» Available fund balance or net cash ratio consistently below 30% of revenue

» Increase in leverage to levels notably beyond Aaa-rated peers

Key indicators

Exhibit 1
Naperville (City of) IL

	2022	2023	2024	2025	Aaa Medians
Economy					
Resident income ratio (%)	181.0%	187.5%	185.5%	N/A	167.9%
Full Value ($000)	$23,792,050	$25,035,036	$26,589,968	$29,644,856	$9,704,244
Population	149,089	149,424	150,692	N/A	36,112
Full value per capita ($)	$159,583	$167,544	$176,452	N/A	$239,458
Annual Growth in Real GDP	1.7%	1.8%	1.4%	N/A	2.1%
Financial Performance					
Revenue ($000)	$425,312	$460,667	$459,746	$517,982	$116,165
Available fund balance ($000)	$173,581	$189,496	$179,449	$218,431	$78,547
Net unrestricted cash ($000)	$201,962	$203,437	$194,507	$223,784	$109,144
Available fund balance ratio (%)	40.8%	41.1%	39.0%	42.2%	65.8%
Liquidity ratio (%)	47.5%	44.2%	42.3%	43.2%	93.9%
Leverage					
Debt ($000)	$104,859	$98,265	$106,079	$135,730	$81,498
Adjusted net pension liabilities ($000)	$471,839	$457,538	$357,632	$254,388	$71,276
Adjusted net OPEB liabilities ($000)	$14,758	$15,453	$14,820	$15,174	$10,296
Other long-term liabilities ($000)	$14,274	$18,241	$20,090	$19,823	$4,168
Long-term liabilities ratio (%)	142.4%	128.0%	108.5%	82.1%	183.1%
Fixed costs					
Implied debt service ($000)	$7,862	$7,323	$6,826	$7,342	$5,076
Pension tread water contribution ($000)	$11,569	$21,244	$19,572	$19,863	$3,403
OPEB contributions ($000)	$988	$903	$972	$1,021	$543
Implied cost of other long-term liabilities ($000)	$1,042	$997	$1,267	$1,390	$279
Fixed-costs ratio (%)	5.0%	6.6%	6.2%	5.7%	10.0%

For definitions of the metrics in the table above please refer to the US Cities and Counties 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 US Cities and Counties Median Report.
The real GDP annual growth metric cited above is for the Chicago-Naperville-Elgin, IL-IN.
Sources: US Census Bureau, Naperville (City of)'s financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The City of Naperville is in DuPage County in northeastern Illinois, about 28 miles southwest of downtown Chicago. The city provides an array of municipal services including public safety, street maintenance and utilities to about 150,000 residents.

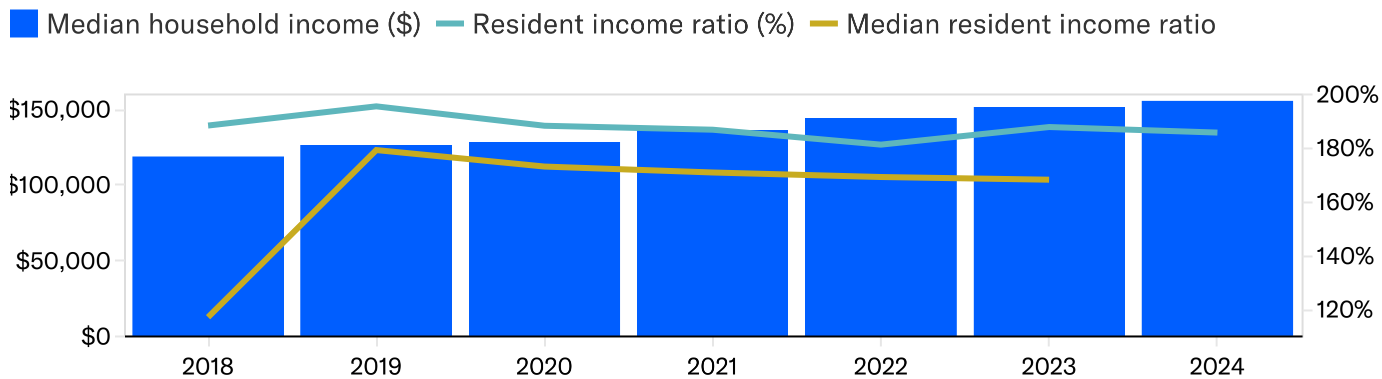
Detailed credit considerations

Naperville will continue to benefit from a large and growing economic base, supported by ongoing residential, commercial, and industrial development. Continued growth combined with a diverse array of revenue streams and conservative budgeting result in a very stable financial position. Fiscal 2025 closed with cash equal to about 43% of revenue, which is solid but lower than Aaa peers. However, the city's total annual revenue of more than $500 million is four times the median for Aaa-rated cities. The city operates enterprise funds for electric, water, and wastewater utility services, which collectively account for about half of the city's revenue and a third of reserves.

The fiscal 2026 budget is essentially balanced, though a surplus is likely given the city's track record of outperforming budget. Long-term liabilities are currently low compared to peers, representing just 80% of revenue. The city is in the process of issuing $38 million in GO bonds and plans to issue a similar amount in fiscal 2027 to reimburse for projects currently underway. Even with the additional debt, long-term liabilities will likely remain lower than peer medians.

Economy

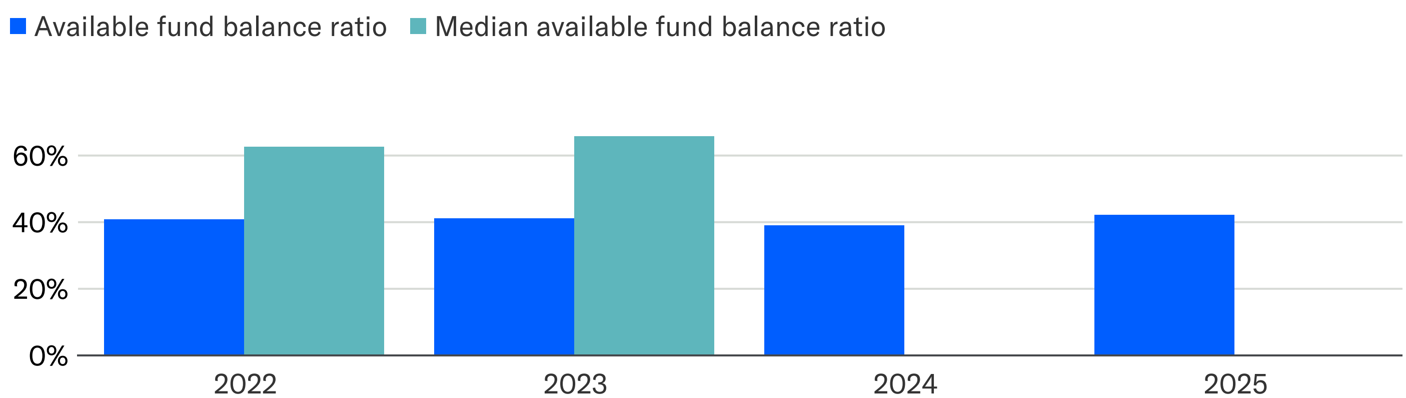
Exhibit 2
Resident Income



Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

Financial operations

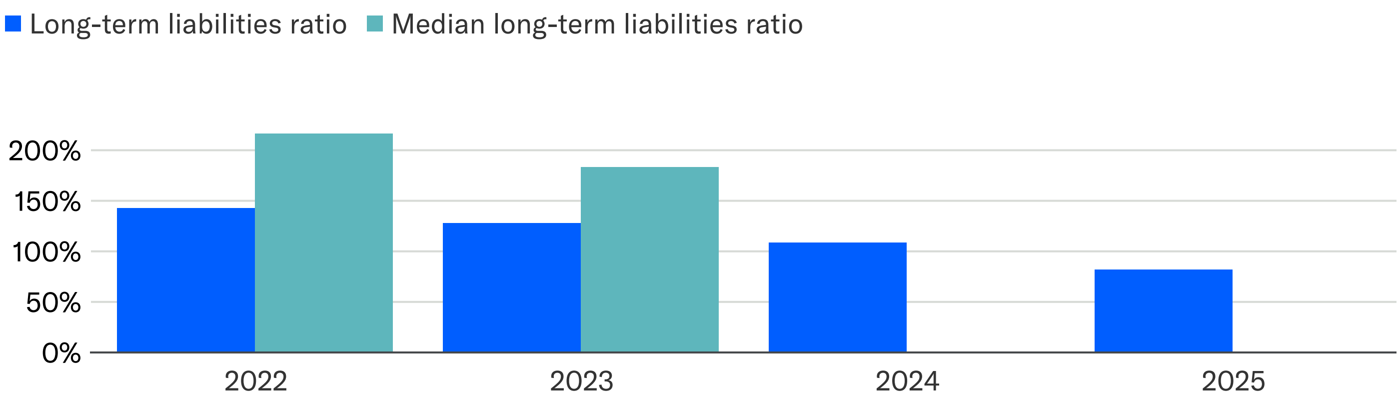
Exhibit 3
Fund Balance Ratio



Source: Audited financial statements; Moody's Ratings

Leverage

Exhibit 4
Total Primary Government - Long Term Liabilities



Source: Audited financial statements; Moody's Ratings

ESG considerations

Environmental

Environmental risks do not present a material credit risk for the district. DuPage County is primarily exposed to heat stress and extreme rainfall. One of the primary impacts of extreme heat is on agricultural production, which is not an economic driver for the county. The district is mostly developed and outdoor labor is limited, mitigating heat stress factors. The county is ultimately responsible for operating flood control facilities during extreme rainstorms and ensuring adequate maintenance is performed on these facilities.

Social

Social considerations are generally a positive factor in city's credit profile. The city's population increased by more than 250% since the 1980s, growing to about 150,000 residents in 2020 from about 43,000 in 1980. The median age of city residents (39) is on par with the state and national medians (38).

Governance

Illinois home rule municipalities have ample legal authority to match revenues to expenditures. Entities can raise property taxes, sales taxes, and other operating revenue without limitation or voter approval. Illinois non home rule municipalities have a strong ability to match revenues and expenditures. Non home rule municipalities have the capability to raise property and sales taxes revenue subject to certain statutory limits. The city targets pension funding to reach 100% funded by 2033, a goal that exceeds the state minimum of 90% by 2040.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard that summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 5
Naperville (City of) IL

	Measure	Weight	Score
Economy			
Resident income ratio	185.5%	10.0%	Aaa
Full value per capita	196,725	10.0%	Aaa
Economic growth metric	-1.4%	10.0%	A
Financial Performance			
Available fund balance ratio	42.2%	20.0%	Aaa
Liquidity ratio	43.2%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aaa	10.0%	Aaa
Leverage			
Long-term liabilities ratio	82.1%	20.0%	Aaa
Fixed-costs ratio	5.7%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			**Aaa**

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Chicago-Naperville-Elgin, IL-IN to the five-year CAGR of real GDP for the US.
Sources: US Census Bureau, Naperville (City of)'s financial statements and Moody's Ratings

Appendix

Exhibit 6
Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government'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 Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government'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 Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	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 Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*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 Cities and Counties Methodology .
Source: Moody's Ratings

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