

Research Update:

Woodstock, IL GO Bond Rating Outlook Revised To Negative On Weakened Reserves; 'AA' Rating Affirmed

August 4, 2025

Overview

- S&P Global Ratings revised the outlook to negative from stable and affirmed its 'AA' rating on [Woodstock](#), Ill.'s existing general obligation (GO) debt.
- At the same time, S&P Global Ratings assigned its 'AA' rating, with negative outlook, to the city's approximately \$19.4 million series 2025 GO bonds.
- The outlook revision reflects our view of the city's below-average economic indicators and weakened general fund available reserves (despite expected replenishment in fiscal 2025), above-average debt-burden, and the need of fund advances from certain governmental funds to subsidize the tax-increment financing (TIF) fund.
- The rating is based on the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

Rationale

Security

The city's unlimited ad valorem tax pledge secures the series 2025 GO bonds and existing GO debt. The city intends to abate 50% of the levy using water revenues for water/sewer system improvements and sales tax revenues for recreation center improvements. The remaining 50% for the road improvements portion of the bonds will be paid by property taxes.

Officials intend to use series 2025 bond proceeds to finance the construction of road improvements and upgrades to the waterworks and sewerage system and recreation center within the city.

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Credit highlights

The rating reflects Woodstock's stable operations, sufficient but below-average available reserves, which are expected to be replenished to be in line with the city's policy target of 33% of budgeted expenditures in fiscal 2025, and good financial-management policies and practices. We also view Woodstock's status as a home-rule city, which provides additional revenue-raising flexibility, as a credit strength. Woodstock benefits from participation in the Chicago area economy, and it has experienced steady property tax base growth, but we view its gross county product per capita and local income and wealth levels as weaker compared with those of similar-rated peers. We view the city's debt profile as a notable credit weakness; however, we understand that the increased debt burden will be partially supported by utility revenues. Also, we view the need for fund advances from certain governmental funds to subsidize the TIF fund unfavorably.

Finances have been relatively steady during the past three years, reflecting management's concerted efforts to maintain structural balance while undertaking a significant capital improvement plan (CIP). Woodstock reports its public-safety functions in a separate police protection fund, but we have combined this fund with the general fund for our analysis. For fiscal 2024 (year-end April 30), the city had positive general fund operations, reflecting higher state-shared income tax revenue, higher interest income, and savings from staff vacancies, but it transferred \$1.7 million to the capital improvement fund for future capital investments, resulting in a near-breakeven general fund result. Despite balanced general fund operations, about \$6.55 million in advances were made from the city's general fund to its TIF fund, causing a significant decline in general fund available reserves. Management, however, projects only \$4.9 million in advances will be needed for the TIF in fiscal 2025, and it plans to make advances from the city's capital improvement fund and replenish general fund available reserves to be consistent with its fund balance target of 33% in that year. In addition, management projects the TIF district will start generating positive cash flow and gradually pay back the advances from the other governmental funds starting in fiscal 2025. For fiscal 2025, management projects a \$700,000 surplus and plans to transfer all surplus to the capital improvement fund. Similarly, the city budgets for balanced operations after transfers in fiscal 2026. We understand Woodstock allocated its \$3.4 million American Rescue Plan Act funds to public-safety costs.

The rating reflects our view of Woodstock's:

- Exurban, predominantly residential community, benefiting from the broad, diverse Chicago metropolitan statistical area (MSA), supporting a growing tax base that improved our assessment of the economy to strong levels, which we expect the city will likely maintain due to its steady pipeline of new commercial and residential development.
- Diverse general fund revenue base—38.0% local sales taxes, 33.0% state-shared-income taxes, and 9.4% property taxes in fiscal 2024—with the budget additionally benefitting from a 1.0% sales tax collected in the capital improvement fund that generated \$3.8 million in fiscal 2024, which is intended for ongoing capital projects, coupled with conservative budgeting that supports sufficient reserves we expect it will likely maintain due to a lack of plans to draw down general fund reserves.
- Strong management with good financial-management policies and practices, highlighted by its use of multiple sources and historical data when developing the budget; comprehensive quarterly financial- and investment-management reporting to the city council; robust 10-year CIP that it updates annually; and 33% reserve policy, albeit with a lack of long-term financial planning.

- Higher debt burden and carrying charge compared with those of similarly rated peers. We note the city privately placed the series 2020 bonds that contain an acceleration provision, but we do not consider these a liquidity risk due to healthy cash position compared with the \$1.33 million outstanding as of fiscal 2024.
- The city participates in a defined-benefit police pension plan and the Illinois Municipal Retirement Fund, funded at 63.4% and 88.0%, respectively, as of fiscal 2023. While Woodstock is meeting static funding for the police-pension plan, it is falling short of minimum funding progress. Although state statute only requires the city to fund its plans to reach 90% funding by 2040, Woodstock funds its plans to reach 100% funding based on entry-age normal actuarial valuations. The city also funds an other postemployment benefits plan on a pay-as-you-go basis with a \$1.4 million liability as of fiscal 2024. We expect pensions and related costs could remain a credit weakness because costs will likely continue to escalate and pressure future budgets. (For more information, see "[Pension Spotlight: Illinois](#)," June 26, 2023, on RatingsDirect.)
- For more information on our institutional framework assessment for Illinois municipalities, see "[Institutional Framework Assessment: Illinois Local Governments](#)," Sept. 10, 2024.

Environmental, social, and governance

We consider Woodstock's environmental, social, and governance (ESG) factors neutral in our credit analysis.

Outlook

The negative outlook reflects our view of the city’s economic indicators, available reserves, and debt burden that are weaker than those of similarly rated peers, in addition to increased contingent financial exposure to the city’s TIF fund that has weakened reserves below the historical trend. Although management projects the TIF district will generate positive cash flow and gradually pay back the fund advances starting in fiscal 2025, the outlook also reflects a one-in-three chance that we could lower the rating over the next two years if the city is unable to replenish its reserve position without significant weakening across its major funds tied to needed subsidies for the TIF fund.

Downside scenario

We could lower the rating if operating results deteriorate or more advances are needed for the TIF fund, leading to a drawdown of available reserves and causing finances to no longer be in line with those of similar-rated peers, or if the debt profile weakens further.

Upside scenario

We could revise the outlook to stable if the city sustains balanced-to-positive operations and replenishes its general fund reserves to be in line with policy target in fiscal 2025, and if there is a track record and sustainable plan to pay back fund advances to the other governmental funds from the TIF fund, with the other credit factors holding steady.

Woodstock, Illinois--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.37

Woodstock, Illinois--Credit summary

Economy	4.5
Financial performance	2
Reserves and liquidity	1
Management	1.35
Debt and liabilities	3.00

Woodstock, Illinois--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	56	--	56	58
County PCPI % of U.S.	100	--	100	100
Market value (\$000s)	2,086,770	1,899,429	1,760,052	1,661,688
Market value per capita (\$)	80,322	73,111	67,746	65,742
Top 10 taxpayers % of taxable value	7.2	--	--	6.5
County unemployment rate (%)	4.6	4.5	3.7	3.9
Local median household EBI % of U.S.	100	--	100	99
Local per capita EBI % of U.S.	93	--	93	95
Local population	25,980	--	25,980	25,276
Financial performance				
Operating fund revenues (\$000s)	--	19,861	21,367	20,070
Operating fund expenditures (\$000s)	--	17,124	15,601	14,630
Net transfers and other adjustments (\$000s)	--	(2,672)	(3,500)	(5,338)
Operating result (\$000s)	--	65	2,266	102
Operating result % of revenues	--	0.3	10.6	0.5
Operating result three-year average %	--	3.8	3.9	1.5
Reserves and liquidity				
Available reserves % of operating revenues	--	7.7	38.2	28.6
Available reserves (\$000s)	--	1,524	8,168	5,734
Debt and liabilities				
Debt service cost % of revenues	--	8.0	6.8	6.0
Net direct debt per capita (\$)	2,580	1,456	1,539	1,642
Net direct debt (\$000s)	67,017	37,834	39,974	41,494
Direct debt 10-year amortization (%)	40	52	--	--
Pension and OPEB cost % of revenues	--	6.0	7.0	8.0
NPLs per capita (\$)	--	804	894	568
Combined NPLs (\$000s)	--	20,881	23,222	14,359

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**

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Ratings List

US\$19.39 mil GO bnds ser 2025 due 01/01/2046		
Long Term Rating	AA/Negative	
Outlook Action		
	To	From
Local Government		
Woodstock, IL Unlimited Tax General Obligation	AA/Negative	AA/Stable
Woodstock, IL Unlimited Tax General Obligation, Water and Sewer System, and State Shared Sales and Income Taxes	AA/Negative	AA/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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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