

Research Update:

Downers Grove Village, IL Series 2026A And B GO Bonds Rated 'AAA'; Outlook Stable

May 5, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the **Village of Downers Grove**, Illinois' approximately \$13.9 million series 2026A general obligation (GO) bonds and \$4.3 million series 2026B GO refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the village's existing GO debt.
- The outlook is stable.

Rationale

Security

The series 2026A and B bonds are secured by the Downers Grove's unlimited-tax ad valorem GO pledge. Series 2026A bonds will finance improvements to the village's water system, while series 2026B bonds will current refund the village's series 2016 GO bonds for interest cost savings. Although not formally pledged, the village intends to abate the debt service levy on both series with net revenues from the water fund (series 2026A) and stormwater fund (series 2026B).

Credit highlights

The rating reflects Downers Grove's strong and diverse local economy, supported by its proximity to downtown Chicago, with consistent revenue growth and a robust financial position. These strengths are complemented by sound management practices and home rule status, providing broad revenue-raising flexibility and enhanced fiscal control. In our view, the village's large public safety pension obligations remain its primary credit challenge, and its ability to maintain budgetary balance while addressing rising pension costs will be critical to sustaining credit quality over the long term.

Downers Grove's financial performance reflects better-than-budgeted operational results with strong revenue growth, resulting in annual general fund surpluses over the past ten audited years. The village routinely transfers general fund surpluses to support capital improvements and maintains reserves within its formal fund balance policy range of two to four months of expenditures. The general fund revenue mix is well diversified, consisting of taxes (43% of 2024 general fund revenue), intergovernmental revenues (41%), and charges for services (10%). For

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fiscal 2025 (unaudited), the village expects to report a general fund surplus of \$1.1 million (2% of revenue), primarily driven by strong sales and home sales rule tax revenue performance. Downers Grove estimates total general fund revenue will exceed budget by \$3.5 million (5.4%), allowing for a \$3 million midyear transfer to the health fund to cover higher health insurance claims.

Management structured the fiscal 2026 budget with a \$250,000 surplus (less than 1%), reflecting the following council-approved revenue enhancements: an additional \$1.1 million from a home rule sales tax rate increase to 1.5% from 1%; an additional \$200,000 from a hotel tax rate increase to 5.5% from 4.5%; and the implementation of a 1% local grocery store tax. According to management, the village intends to leverage its alternative revenue options to mitigate property tax levy impacts while ensuring long-term fiscal sustainability.

Downers Grove's primary credit weakness is its underfunded pension obligations. As of fiscal 2024, police and firefighter pension plans were funded at 57.3% and 60.4%, respectively. Although the village maintains structural balance, its plan to achieve full funding by 2040 will require contributions to double over that period. Downers Grove's consistent financial strength allows for discretionary transfers to fund capital improvements, which is a prudent approach that avoids additional debt issuance and manages overall liabilities. The village's home rule status further enables financial flexibility to address long-term pension requirements. However, sustained increases in pension costs that strain budgetary performance could result in rating pressure over the long term.

The rating further reflects our view of the following factors:

- Downers Grove is a mature community located 23 miles west of Chicago, with a predominantly residential tax base (80%). Recent infill development--including many new businesses and significant multifamily and single-family housing additions, paired with steady home value appreciation--has supported strong assessed value growth (20% over the past five years). The village also benefits from strong economic indicators, with per capita personal income and gross county product well above national averages.
- The village has a long history of surplus operations, supporting robust reserves equal to 39.6% of revenues (\$24.9 million as of audited fiscal 2024). Additional balances in capital improvements and municipal buildings funds (estimated at \$14.5 million and \$3.1 million, respectively, for fiscal 2025) are also available for emergencies.
- Management employs robust policies and practices, including forward-looking budgeting, monthly budget monitoring, and detailed long-term financial and capital planning. Formal policies cover reserves, debt, and investments, and the village follows cybersecurity best practices.
- We expect the debt burden will remain affordable, considering the village has no plans for additional GO debt. About 46% of GO debt outstanding (including the new issuances) is supported by the water and stormwater funds, mitigating the property tax levy impact. Its moderate debt metrics are offset by its police and firefighter pension plans, funded at approximately 57.3% and 60.4% as of fiscal 2024, with net pension liabilities of \$57.9 million and \$53.2 million, respectively. The village's Illinois Municipal Retirement Fund pension plan is nearly fully funded at 97.7%. Downers Grove established its other postemployment benefits trust fund in 2019 to support long-term liability management. For more information, see "[Pension Spotlight: Illinois](#)," March 11, 2026.
- Home rule status provides the village with enhanced revenue-raising and debt issuance flexibility, as reflected in our institutional framework assessment. For more information, see "[Institutional Framework Assessment: Illinois Local Governments](#)," Sept. 10, 2024.

Environmental, social, and governance

Environmental, social, and governance credit factors are neutral to our credit analysis. Nevertheless, Downers Grove faces long-term governance risk pressures stemming from its underfunded police and firefighter pension plans, as escalating pension costs could constrain future budgetary flexibility and strain long-term fiscal sustainability if not managed effectively. The village has demonstrated forward-looking funding discipline through its pension policy, which targets 100% funding by 2040, exceeding the state's 90% requirement. These proactive measures, along with significant revenue flexibility afforded by home rule status, help mitigate governance risks associated with pension underfunding, although it is a key risk we will continue to monitor.

Rating above the sovereign

The GO bonds are eligible to be rated above the sovereign because we believe the village can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, U.S. local governments are considered to have moderate sensitivity to national risk. The institutional framework in the U.S. is predictable for local governments, allowing them significant autonomy, independent treasury management, and no history of government intervention.

Outlook

The stable outlook reflects our expectation that Downers Grove will maintain strong financial performance and healthy reserve levels, supported by a robust local economy and sound financial management practices, while making continued progress in addressing its pension liabilities.

Downside scenario

We could lower the rating if budgetary performance weakens, resulting in a decline in reserves and liquidity, particularly from rising pension costs.

Downers Grove Village, Illinois--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.80
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	4.00

Downers Grove Village, Illinois--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GDP per capita % of U.S.	159	159	163	163
County PCPI % of U.S.	135	135	136	136

Downers Grove Village, Illinois--key credit metrics

	Most recent	2024	2023	2022
Market value (\$000s)	9,959,754	9,214,428	8,883,963	8,693,102
Market value per capita (\$)	198,925	184,038	176,290	180,370
Top 10 taxpayers % of taxable value	5.6	5.8	6.1	--
County unemployment rate (%)	3.8	4.3	3.5	3.7
Local median household EBI % of U.S.	134	134	135	136
Local per capita EBI % of U.S.	144	144	143	146
Local population	50,068	50,068	50,394	48,196
Financial performance				
Operating fund revenues (\$000s)	--	62,973	63,909	62,503
Operating fund expenditures (\$000s)	--	58,499	58,914	58,553
Net transfers and other adjustments (\$000s)	--	(4,375)	(3,354)	(2,089)
Operating result (\$000s)	--	99	1,641	1,861
Operating result % of revenues	--	0.2	2.6	3.0
Operating result three-year average %	--	1.9	2.4	1.6
Reserves and liquidity				
Available reserves % of operating revenues	--	39.6	38.8	37.2
Available reserves (\$000s)	--	24,949	24,816	23,257
Debt and liabilities				
Debt service cost % of revenues	--	4.7	4.2	2.3
Net direct debt per capita (\$)	1,760	1,635	1,694	1,810
Net direct debt (\$000s)	88,108	81,873	85,377	87,250
Direct debt 10-year amortization (%)	48	50	--	44
Pension and OPEB cost % of revenues	--	15.0	13.0	15.0
NPLs per capita (\$)	--	2,277	2,207	2,589
Combined NPLs (\$000s)	--	114,014	111,195	124,759

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\$13,865,000 Village of Downers Grove, Dupage County, Illinois, General Obligation Bonds, Series 2026A, dated: Date of delivery, due: January 01, 2046

Long Term Rating AAA/Stable

US\$4,315,000 Village of Downers Grove, DuPage County, Illinois, General Obligation Refunding Bonds, Series 2026B, dated: Date of delivery, due: January 01, 2038

Long Term Rating AAA/Stable

Ratings Affirmed

Local Government

Downers Grove Vill, IL Unlimited Tax General Obligation AAA/Stable

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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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Downers Grove Village, IL Series 2026A And B GO Bonds Rated 'AAA'; Outlook Stable

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