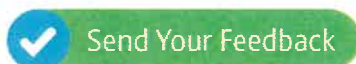


CREDIT OPINION

4 October 2023



Contacts

Brian Craighead +1.131.270.69982
Associate Lead Analyst
 brian.craighead@moodys.com

Benjamin J VanMetre +1.312.706.9951
VP-Senior Analyst
 ben.vanmetre@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

City of DeKalb, IL

Update to following upgrade to A1

Summary

[DeKalb, IL](#) (A1) benefits from the stabilizing presence of [Northern Illinois University](#) (NIU; Baa2 stable) and a strong and improving reserve position partially driven by substantial recent economic development. These strengths are balanced against resident income and per capita wealth that trail similarly rated peers and high overall leverage, primarily driven by pensions.

On October 3, 2023 we upgraded the city's issuer and general obligation unlimited tax (GOULT) ratings to A1 from A2.

Credit strengths

- » Strong recent economic development
- » Institutional presence of NIU
- » Strong and improving financial profile
- » Home-rule government with revenue raising flexibility

Credit challenges

- » Economic metrics trail similarly rated peers
- » Reliance on economically sensitive revenue
- » High overall leverage, primarily driven by pensions

Rating outlook

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

Factors that could lead to an upgrade

- » Significant decrease in long-term leverage
- » Continued economic expansion that further bolsters the city's financial profile

Factors that could lead to a downgrade

- » Material and sustained weakening of the local economy
- » Substantial weakening of reserves
- » Increased leverage or fixed cost

Key indicators

Exhibit 1

DeKalb (City of) IL

	2019	2020	2021	2022	A Medians
Economy					
Resident income ratio (%)	69.7%	65.0%	62.7%	N/A	86.2%
Full Value (\$000)	\$1,645,489	\$1,758,939	\$1,832,832	\$2,084,600	\$710,587
Population	42,908	42,961	41,083	N/A	9,809
Full value per capita (\$)	\$38,349	\$40,943	\$44,613	N/A	\$64,697
Economic growth metric (%)	N/A	-1.4%	-1.1%	N/A	-0.9%
Financial Performance					
Revenue (\$000)	\$70,294	\$66,011	\$77,380	\$76,706	\$21,142
Available fund balance (\$000)	\$19,048	\$21,813	\$30,869	\$39,580	\$8,496
Net unrestricted cash (\$000)	\$31,876	\$31,067	\$38,747	\$42,674	\$11,027
Available fund balance ratio (%)	27.1%	33.0%	39.9%	51.6%	40.6%
Liquidity ratio (%)	45.3%	47.1%	50.1%	55.6%	52.2%
Leverage					
Debt (\$000)	\$19,753	\$17,527	\$15,934	\$14,571	\$17,628
Adjusted net pension liabilities (\$000)	\$234,636	\$268,787	\$250,660	\$184,294	\$24,236
Adjusted net OPEB liabilities (\$000)	\$28,858	\$33,159	\$32,158	\$25,026	\$1,376
Other long-term liabilities (\$000)	\$5,993	\$6,369	\$5,836	\$6,034	\$625
Long-term liabilities ratio (%)	411.5%	493.6%	393.6%	299.7%	277.1%
Fixed costs					
Implied debt service (\$000)	\$1,642	\$1,440	\$1,255	\$1,118	\$1,254
Pension tread water contribution (\$000)	\$8,971	\$8,362	\$7,897	\$7,129	\$645
OPEB contributions (\$000)	\$1,324	\$1,430	\$1,566	\$1,690	\$46
Implied cost of other long-term liabilities (\$000)	\$447	\$437	\$456	\$409	\$44
Fixed-costs ratio (%)	17.6%	17.7%	14.4%	13.5%	13.1%

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 Economic Growth metric cited above compares the five-year CAGR of real GDP for Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, DeKalb (City of) IL's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

Profile

The City of DeKalb is located 60 miles from downtown [Chicago](#) (Baa3 stable) along I-88 corridor and serves as the county seat for [DeKalb County](#) (Aa1). DeKalb offers a sizable retail presence for the county and serves a population of about 43,000 residents. DeKalb is a home-rule unit of government and therefore does not have a tax rate limit or debt limit nor is it required to seek referendum approval to raise its tax rate or to issue debt. The city is governed by a mayor (elected at large) and seven alderman (elected from wards) who collectively form the city council.

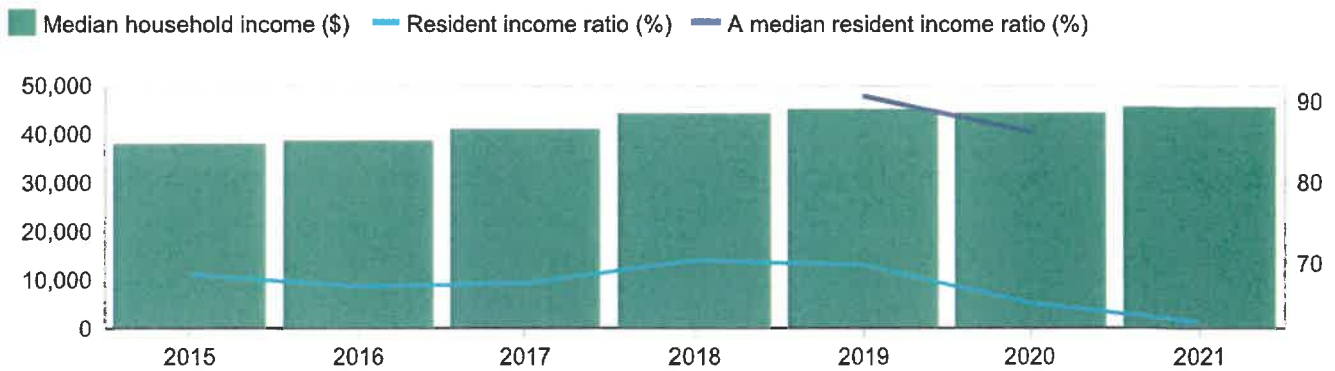
Detailed credit considerations

DeKalb's increased financial strength resulting from economic expansion has helped offset challenges related to persistently high leverage, primarily driven by pensions. The regional economy is anchored by Northern Illinois University and the city's economy has grown notably in recent years because of larger scale economic development projects including several industrial centers. The economic growth is supporting positive trends in both sales and use taxes and property taxes, the city's two main sources of revenue. Developments include over \$2 billion in investments from [Meta](#) (A1 stable), [Amazon](#) (A1 stable), [Kraft Heinz](#) (Baa2 stable), and Ferrara Candy in data and distribution centers. These investments were supported in part by tax abatements, the DeKalb County Enterprise Zone, and the city's location near several highways. Strong development trends will continue to support a stable financial profile going forward. The city expects to end fiscal 2023 with a general fund surplus over \$4 million while its enterprise funds are expected to remain stable.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

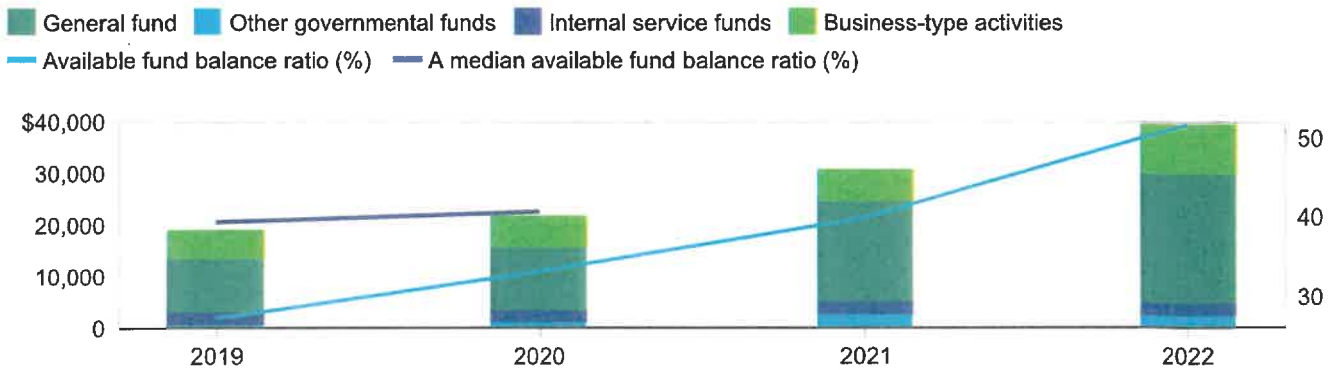
The city's main challenge is a high pension burden that will persist despite recent decreases due to changes in the discount rate. The city increased pension funding in recent years to achieve its target of 100% funding by 2040, a target which Moody's considers relatively weak. Despite the increases, there is still a significant ramp up in required pension contributions going forward. The city aims to fully fund pension contributions with property taxes but is unable to do so, requiring sales and use tax revenue to cover the remaining amounts. Notably, the city's home-rule status gives it significant revenue raising flexibility. However, management has indicated some reluctance to raise property taxes to ensure tax rates remain competitive with surrounding municipalities. Favorably, the city's debt burden, inclusive of the upcoming issuance, remains low.

Exhibit 2
Resident Income



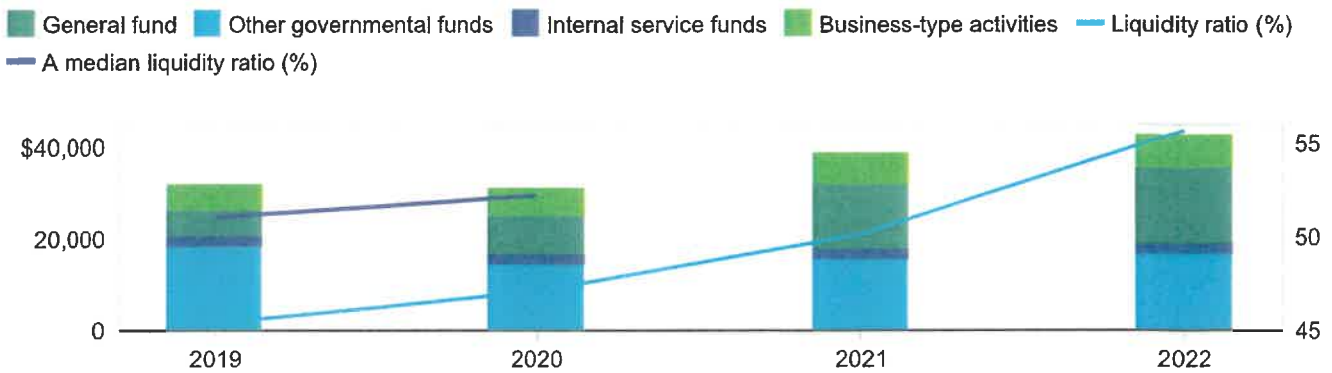
Source: Moody's Investors Service

Exhibit 3
Fund Balance



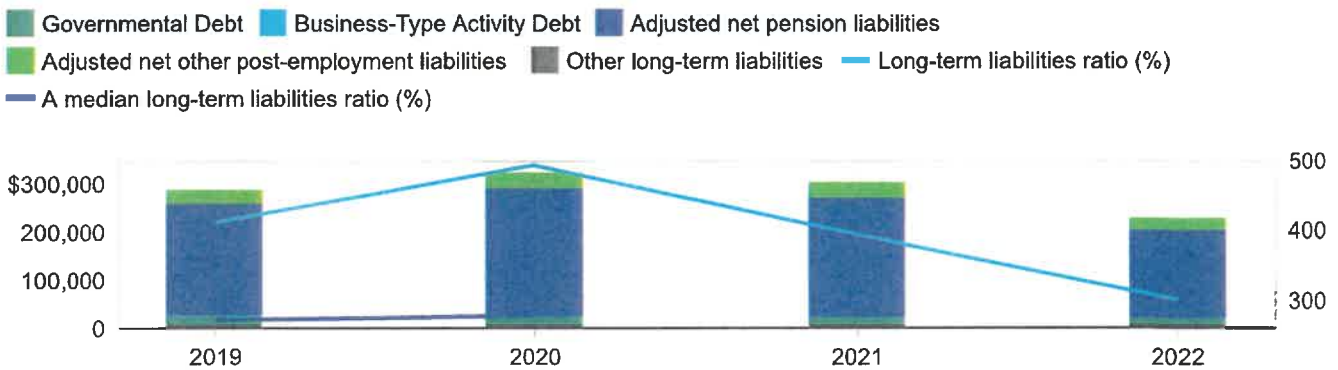
Source: Moody's Investors Service

Exhibit 4
Cash



Source: Moody's Investors Service

Exhibit 5
Total Primary Government - Long Term Liabilities



Source: Moody's Investors Service

ESG considerations

Environmental

The city has limited exposure to environmental risk. According to Moody's Climate on Demand, the city has high risk of heat stress and water stress. The city has minimal exposure to flood plains, physical climate risk, water management, natural capital, and other environmental risks.

Social

The city's social considerations include benefits from the presence of Northern Illinois University (NIU), affordable housing, and a modestly sized population. The city's population decreased slightly over the past decade to just over 41,000 residents. Resident income is below medians, impacted by the presence of college students attending NIU. Favorably, the city maintains excellent access to basic services, a high percent of the population with a bachelor's degree or higher, and benefits from low crime rates.

Governance

As a home-rule city, DeKalb benefits from its strong institutional framework and solid budget management. Home rule entities have much greater legal flexibility than the rest of the sector with substantial revenue-raising authority. However, management has indicated some reluctance to raising property tax rates due to them already being high relative to comparable municipalities. The city's formal policy is to maintain unassigned general fund reserves of 25% of annual expenditures, which it exceeds significantly. The city has

increased pension contributions in recent years to achieve its target of 100% funding by 2040, a target Moody's considers relatively weak. Barring a significant change, the city's pension burden will remain a credit risk.

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which 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.

The issuer's rating differs from the scorecard due to its reliance on an economically sensitive revenue stream and the expected persistence of its long-term liabilities.

Exhibit 6

DeKalb (City of) IL

	Measure	Weight	Score
Economy			
Resident income ratio	62.7%	10.0%	Ba
Full value per capita	58,079	10.0%	Baa
Economic growth metric	-1.1%	10.0%	A
Financial Performance			
Available fund balance ratio	51.6%	20.0%	Aaa
Liquidity ratio	55.6%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aaa	10.0%	Aaa
Leverage			
Long-term liabilities ratio	299.7%	20.0%	A
Fixed-costs ratio	13.5%	10.0%	Aa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			A1

The complete list of outstanding ratings assigned to the De Kalb (City of) IL is available on their [issuer page](#). Details on the current ESG scores assigned to the De Kalb (City of) IL are available on their [ESGView page](#).

Sources: US Census Bureau, De Kalb (City of) IL's financial statements and Moody's Investors Service

Appendix

Exhibit 7

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 Investors Service
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 Investors Service
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 Investors Service
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 Investors Service
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 Investors Service
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 City and Counties Methodology](#).

Source: Moody's Investors Service

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1384170

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454