



RATING ACTION COMMENTARY

Fitch Affirms the Village of Romeoville, IL's ULTGO Bond and IDR at 'AA'; Outlook Stable

Mon 17 Jun, 2024 - 4:16 PM ET

Fitch Ratings - Chicago - 17 Jun 2024: Fitch Ratings has affirmed the Village of Romeoville, IL's (the village) unlimited tax general obligation (ULTGO) bond rating and Issuer Default Rating (IDR) at 'AA'.

The Rating Outlook is Stable. The ratings have been removed from Under Criteria Observation.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Romeoville Village (IL) [General Government]	LT IDR	AA Rating Outlook Stable		AA Rating Outlook Stable
	Affirmed			
Romeoville Village (IL) /General Obligation - Unlimited Tax/1 LT	LT	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'AA' IDR and ULTGO bond rating reflect the village's midrange leverage composite assessment and financial resilience assessment of 'aaa' given its high midrange budgetary flexibility and Fitch's expectations that reserves will be maintained at or above 10% of

spending and transfers out. The rating also incorporates the village's very weak demographic and economic strength trend and level metrics, which are balanced against a population and economy of sufficient size and diversification, respectively.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--An approximately 30% increase in long-term liabilities assuming current levels of personal income and governmental resources and spending;

--A reduction in financial resilience due to unrestricted reserves falling below 10% of spending and transfers out.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--An approximately 25% decline in long-term liabilities assuming current levels of personal income and governmental resources and spending;

--Marked improvement in demographic and economic metrics.

SECURITY

The bonds are secured by the village's full faith and credit and its ad valorem tax, without limitation as to rate or amount and are payable from incremental property tax revenues derived from the tax increment financing redevelopment area.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model (LGRM) generates Model Implied Ratings (MIR) which communicate the issuer's credit quality relative to Fitch's local government rating portfolio (the MIR will be the IDR except in certain circumstances explained in the applicable criteria). The MIR is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher ('AAA'), 9.0 ('AA+'), 8.0 ('AA'), and so forth down to 1.0 ('BBB-' and below). Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile (MP), and a structured framework to account for Additional Analytical Factors (AAFs) not captured in the Metric Profile that can either mitigate or exacerbate credit risks. AAFs are reflected in notching from the MP and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Romeoville Village Model Implied Rating: 8.26 ('AA')

-- Metric Profile: 8.26 ('AA')

-- Net Additional Analytical Factor Notching: 0.0

Romeoville Village's Model Implied Rating of 8.26 is at the lower end of the 8.0 to 9.0 range for its current 'AA' rating.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'aaa'

Romeoville Village's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment: $\geq 10.0\%$

-- Current year fund balance to expenditure ratio: 109.4% (2023)

-- Five-year low fund balance to expenditure ratio: 55.7% (2023)

Revenue Volatility - 'Midrange'

Romeoville Village's weakest historic three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would

have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 5.3% decrease for the three-year period ending fiscal 2010

-- Median issuer decline: -4.5% (2023)

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Weakest'

Based on the median of 10-year annual % change in population, Romeoville Village's population trend is assessed as 'Weakest'.

Population trend: -0.1% 2022 median of 10-year annual % change in population (9th percentile)

Unemployment, Educational Attainment and MHI Level - 'Weak'

The overall strength of Romeoville Village's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2023 are assessed as 'Weak' on a composite basis, performing at the 39th percentile of Fitch's local government rating portfolio. This is due to low education attainment levels and elevated unemployment rate offsetting high median-issuer indexed adjusted MHI.

-- Unemployment rate as percentage of national rate: 130.6% 2023 (20th percentile), relative to the national rate of 3.6%

-- Percent of population with a bachelor's degree or higher: 22.3% (2022) (27th percentile)

-- MHI as a percent of the portfolio median: 120.1% (2022) (71st percentile)

Economic Concentration and Population Size - 'Strongest'

Romeoville Village's population in 2022 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and

economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 41,067 (2022) (above the 15th percentile)

-- Economic concentration: 43.0% (2023) (above the 15th percentile)

LONG TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Midrange'

Romeoville Village's long-term liability metrics range from 'weak' to 'strong' across each of the three dimensions: liabilities to personal income, liabilities to governmental revenue, and carrying costs to governmental expenditures. The long-term liability composite metric in 2023 is at the 42nd percentile, roughly in line with Fitch local government rating portfolio.

-- Liabilities to personal income: 7.9% Analyst Input (30th percentile) (vs. 8.2% 2023 Actual)

-- Liabilities to governmental revenue: 152.5% Analyst Input (63rd percentile) (vs. 158.3% 2023 Actual)

-- Carrying costs to governmental expenditures: 16.1% (2023) (40th percentile)

Analyst Inputs to the Model

Adjustments were made to net direct debt to account for debt amortized since the last audit.

PROFILE

Romeoville is located in Will County, approximately 32 miles southwest of downtown Chicago. In close proximity to three major interstate highways (I-55, I-80, and I-355), the village has become a commercial distribution center for the southern portion of the Chicago metropolitan area. The addition of an Amazon fulfillment center in fiscal 2017 has added approximately 1,600 jobs, making it the top employer in the village.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from DRIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

FITCH RATINGS ANALYSTS

Nikita Mehendale

Analyst

Primary Rating Analyst

+1 312 606 2338

nikita.mehendale@fitchratings.com

Fitch Ratings, Inc.

One North Wacker Drive Chicago, IL 60606

Ashlee Gabrysch

Director

Secondary Rating Analyst

+1 312 368 3181

ashlee.gabrysch@fitchratings.com

Evette Caze

Senior Director

Committee Chairperson

+1 212 908 0376

evette.caze@fitchratings.com

MEDIA CONTACTS

Sandro Scenga

New York

+1 212 908 0278

sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 ([1](#))

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Romeoville Village (IL)

EU Endorsed, UK Endorsed

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