

# RatingsDirect®

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## Summary:

# Ledgeview, Wisconsin; General Obligation

### Primary Credit Analyst:

Jeffrey T Devine, Boston (1) 617-530-8318; jeffrey\_devine@standardandpoors.com

### Secondary Contact:

Carol A Hendrickson, Chicago (1) 312-233-7062; carol\_hendrickson@standardandpoors.com

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## Summary:

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### Credit Profile

US\$4.3 mil GO prom nts due 10/01/2022

*Long Term Rating* AA/Stable New

Ledgeview GO rfdg bnds

*Long Term Rating* AA/Stable Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating and stable outlook to Ledgeview, Wis.' general obligation (GO) promissory notes and affirmed its 'AA' rating, with a stable outlook, on the town's parity debt.

The rating reflects our opinion of the town's:

- Participation in the Green Bay metropolitan statistical area (MSA),
- Economic indicators that range from strong-to-very strong, and
- Very strong general fund balance despite continual drawdowns.

We believe what we consider the town's moderately high debt and high debt service carrying charge somewhat offset these strengths; officials, however, plan to retire all of Ledgeview's debt by 2022.

The town's unlimited-tax GO pledge secures debt service payment. Officials plan to use note proceeds to fund road improvements as part of the capital improvement plan.

The 26-square-mile Ledgeview is in Brown County, about five miles south of Green Bay in northeast Wisconsin. Because of its location, residents have access to employment throughout the Green Bay MSA. Ledgeview has experienced rapid growth recently with the population increasing by 31% since 2007 to its current 6,967. Green Bay MSA unemployment was 7.1% in 2011, lower than state and national rates. Unemployment decreased to 6.5% as of August 2012.

Fiscal 2012 net new construction was 2.92%, the second highest rate among Brown County municipalities. Growth has primarily been residential, and residential property accounts for about 79% of equalized value (EV).

We consider median household and per capita effective buying incomes a very strong 132% and a strong 118%, respectively, of national levels. Although the town's 2012 EV of \$670 million is somewhat small, EV has remained relatively stable since 2008, growing by just 3.2%. Furthermore, we consider EV a very strong \$96,132 per capita.

Although Ledgeview has undergone consecutive general fund drawdowns averaging 7% of general fund expenditures over past four fiscal years, the financial position is, in our opinion, strong, characterized by, what we consider, a very strong aggregate assigned and unassigned fund balance. Net new construction adds revenue stability because levy

growth across Wisconsin municipalities is limited to the greater of 0% or net new construction. Management implemented a formal fund balance policy in fiscal 2011 that sets a minimal 25% target of current year general fund expenditures.

Even though management expects to use approximately \$150,000 of reserves in fiscal 2012 and another \$114,000 in fiscal 2013, we estimate available reserves will be more than twice the minimum threshold if budget projections hold true. Levy growth generated from net new construction equals about \$88,000 of additional revenue for fiscal 2013.

Fiscal 2011 marked the first year in which Ledgeview's finances were audited. It had previously prepared financial statements on a Generally Accepted Accounting Principles (GAAP) basis; they were only reviewed by the auditing firm, which did not render an opinion. The town produced a \$39,000 deficit that lowered available general fund balance to \$940,000, or, in our opinion, a very strong 81.3% of expenditures. Taxes generate the majority of general fund revenue at 54% followed by intergovernmental revenue at 16%.

Standard & Poor's considers Ledgeview's financial management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. In addition to the fund balance policy, officials have formal procedures related to debt management and financial policies.

Overall net debt, including overlapping debt, is, in our opinion, a high \$6,358 per capita, or a moderately high 6.6% of EV. Carrying charges have been, in our view, high: They were 28% of fiscal 2011 governmental funds less capital outlay. We consider direct debt amortization very rapid with officials planning to retire 100% of principal by 2022. Ledgeview plans to issue between \$2 million and \$3 million of additional debt in 2014 for another road improvement project.

Eligible Ledgeview employees participate in the Wisconsin Retirement System, a multiple-employer, defined-benefit pension plan. The town contributed \$27,000 in fiscal 2011, or less than 1% of governmental expenditures. It does not provide postemployment benefits to employees.

## **Outlook**

The stable outlook reflects Standard & Poor's opinion that Ledgeview will ultimately maintain reserves well above levels Standard & Poor's considers very strong. While Ledgeview's growing population and subsequent capital needs could pressure debt, we believe the presence of a long-term capital plan and a debt management policy are stabilizing credit factors. While we do not expect to change the rating during the outlook's two-year period, the rating could come under pressure if unforeseen fiscal pressure were to lead to a precipitous decrease in reserves, particularly due to the town's small budget. We do not currently foresee upward rating potential. The economic stability provided by the town's participation in the Green Bay MSA provides rating stability.

## **Related Criteria And Research**

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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