

July 8, 2011

### Summary:

## Howard Village, Wisconsin; General Obligation

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## Summary:

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### Credit Profile

US\$1.7 mil GO rfdg bnds ser 2011 dtd 08/04/2011 due 05/01/2022

*Long Term Rating*

AA/Stable

New

Howard Vill GO prom notes ser 2004A

*Long Term Rating*

AA/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating and stable outlook to Howard Village, Wis.' series 2011 general obligation refunding bonds and affirmed its 'AA' rating, with a stable outlook, on the village's parity debt.

The rating reflects our assessment of the village's:

- Participation in the deep and diverse Green Bay metropolitan area;
- Good income and very strong wealth levels;
- Historically sound financial performance, characterized by, what we consider, a very strong amount of available reserves; and
- Moderate debt burden combined with, what we regard as, rapid amortization.

Management intends to use bond proceeds to refund the village's series 2001 and 2002 revenue bonds outstanding. While officials expect to pay debt service through utility revenue, the village's full-faith-and-credit pledge ultimately secures the series 2011 bonds.

Howard, with a 2010 population estimate of 17,130, is adjacent to Green Bay in Brown County. The village is host to several leading employers, including:

- United Health Care (1,825 employees),
- Howard-Suamico School District (541), and
- Sanimax USA Inc. (202).

In addition, many residents commute into areas within and around Green Bay. Despite an area economy anchored by the volatile manufacturing industry, unemployment has remained below state and national rates through the economic downturn: Brown County unemployment declined to 6.7% as of April 2011 from 7.4% in 2010. Median household effective buying income is, in our view, a good 107% of the national average.

The village uses tax-increment financing, promoting economic development, to continue property tax base growth. Assessed value growth, however, has slowed recently, averaging 1.3% annual increases over the past three years. Residential (68%) and commercial (26%) properties represent the majority of the tax base. We consider equalized value, a wealth indicator, to be a very strong \$80,650 per capita. The village is exploring the possible annexation of 250 acres to continue its tax base expansion.

Howard has historically maintained, what we consider, very strong general fund reserves. At fiscal year-end Dec. 31,

2010, the village recorded a general fund surplus of \$82,000, on target with previous estimates. The ending fund balance of \$2.7 million equals, in our opinion, a very strong 40.9% of operating expenditures. Similarly, officials expect positive operating results for fiscal 2011. Although the fiscal 2012 budget process is currently in the preliminary stages, village officials estimate a \$286,000 decline in state revenue, pursuant to the state's biennium budget. The village will also experience stricter operating caps due to the budget, which will stand at the greater of 0% or equalized value increases due to new construction. Approximately 52% of general fund revenue came from taxes in 2010. We consider this a consistent and stable revenue stream since the county guarantees 100% of property tax collections.

Standard & Poor's considers Howard'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.

The village's overall net debt burden is, in our opinion, a moderate 3.1% of equalized value, or \$2,490 per capita. Carrying charges have historically been, what we consider, elevated or high, ranging from 19%-28%; carrying charges, however, declined to, what we view as, a moderate 8.9% in fiscal 2010. Amortization is, what we regard as, very rapid with officials planning to retire 91% of principal debt over the next 10 years. Management does not intend to issue additional debt in the near future.

The village contributed \$256,000, or 2.5% of governmental expenditures, to the Wisconsin Retirement System as part of its annual required pension contribution. The village is not liable for other postemployment benefit expenses.

## **Outlook**

The stable outlook reflects Standard & Poor's opinion that Howard will likely maintain, what Standard & Poor's considers, very strong general fund reserves. The village's participation in the diverse Green Bay area economy supports the outlook. Within the outlook's two-year period, we do not think we will raise or lower the rating given the strength of the village's fund balances and stable local economy.

## **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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