

# RatingsDirect®

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## Summary:

# Cedarburg, Wisconsin; General Obligation

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## Summary:

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### Credit Profile

Cedarburg Twn GO prom notes ser 2009A&B dtd 03/15/2009 due 03/01/2019

*Long Term Rating*

AA+/Stable

Upgraded

## Rationale

Standard & Poor's Ratings Services raised its long-term rating to 'AA+' from 'AA' on the town of Cedarburg, Wis.' general obligation (GO) bonds, based on the application of our local GO criteria criteria released Sept. 12, 2013. The outlook is stable.

The town's full faith credit and resources and unlimited-tax GO pledge secures the bonds.

The rating reflects our assessment of the following factors for the town:

- In our opinion, Cedarburg Town's local economy is very strong, with projected per capita effective buying income at 150% of the national average and per capita market value at roughly \$133,400. The town (population: 5,798) covers 25 square miles in Ozaukee County and is about 20 miles north of downtown Milwaukee. We believe residents benefit from participation in the broad and diverse Milwaukee-Waukesha-West Allis metropolitan statistical area (MSA). The 2012 unemployment rate for Ozaukee County was 5.7%.
- In our view, Cedarburg Town's management conditions are strong, with "good" financial practices under our financial management assessment (FMA) methodology, indicating our view that financial practices exist in most areas, but that governance officials might not formalize or monitor all of them. Strengths of the assessment, in our opinion, include strong revenue and expenditure assumptions in the budgeting process, strong oversight in terms of monitoring progress against the budget during the year, a long-term capital plan, and a formal policy to maintain general fund reserves at 20% to 25% of expenditures.
- Cedarburg Town's budgetary flexibility is, in our opinion, very strong, with available reserves at 55.7% of operating expenditures in fiscal 2012. On an unaudited basis, the town ended fiscal 2013 with \$870,000 (47.2%) in available general fund reserves. The town anticipates maintaining balanced operations in 2014 and 2015, and has no formal plans to spend down reserves. The fund balance has exceeded 30% of expenses for the past three years, and we believe that it will remain so.
- In our view, very strong liquidity supports Cedarburg Town's finances, with total government available cash to government fund expenditures at 140% and cash to debt service at more than 9x. Based on past issuance of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.
- We view Cedarburg Town's budgetary performance to be strong overall, with surpluses of 12.9% for the general fund and 11.1% for the total governmental funds in fiscal 2012. On an audited basis, the town has posted six consecutive general fund surpluses. For fiscal 2013, management reports that the town had a \$195,000 general fund drawdown because of a planned use of reserves for equipment purchases. We believe the town will be structurally balanced across all governmental funds in 2014 and 2015. Property taxes accounted for 75% of general fund revenues in 2012.
- We believe Cedarburg Town's debt and contingent liability profile is strong. Total governmental fund debt service to

total governmental fund expenditures is 14.9%, and net direct debt to total governmental funds revenue is 72%. All of the debt is scheduled to be repaid over 10 years. Net debt to market value is low at 1.2%, which is a positive credit factor, in our view. It is our understanding that the town has no additional debt plans. The town participates in the Wisconsin Retirement System, and contributed \$59,000, or 3% of total governmental funds expenditures, in fiscal 2012. The town has historically fulfilled all of the required pension contributions.

- We consider the Institutional Framework score for Wisconsin towns adequate.

## **Outlook**

The stable outlook reflects our anticipation that the town will maintain very strong budgetary flexibility and liquidity, and at least balanced operations, for the next two years. We could lower the rating if budgetary performance worsens or if reserves deteriorate significantly. The town's very strong wealth and income levels and access to the Milwaukee-Waukesha-West Allis MSA provides additional rating stability.

## **Related Criteria And Research**

### **Related Criteria**

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

### **Related Research**

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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