

Rating Update: [Weston \(Village of\) WI](#)

MOODY'S UPGRADES TO A1 FROM A2 ON THE VILLAGE OF WESTON'S (WI) UNDERLYING GENERAL OBLIGATION RATING AFFECTING \$17 MILLION

Municipality
WI

Opinion

NEW YORK, May 29, 2008 -- Moody's Investors Service has upgraded the rating to A1 from A2 on the Village of Weston's (WI) \$17 million of outstanding general obligation debt. Concurrently, Moody's has affirmed the A3 rating on \$44.8 million of the village's outstanding CDA debt. Assignment of the A1 rating reflects Weston's steadily growing tax base benefiting from its development strategies and proximity to Wausau (GO rated Aa3), well managed financial operations, forward looking planning, sound reserve levels, and a somewhat above average debt burden which enjoys significant non general debt levy support.

GROWING ECONOMIC BASE EXPECTED TO CONTINUE DESPITE CHALLENGES

Located 140 miles north of Madison (GO rated Aaa) and several miles southeast of Wausau (GO rated Aa3) in northern Wisconsin (state GO rated Aa3 negative outlook), the Village of Weston lies along highway 29 adjacent to I-39, in Marathon County (GO rated Aa2). Weston's \$956 million tax base has grown at a strong 11.1% five year average annual rate, with the last four years exceeding 10%. Officials estimate the village's total 2008 value will increase to \$1.04 billion. Two village TIF's continue to be central to the current development patterns. TIF 1 is anchored by a 313 acre technology park and enjoying high occupancy rates, is roughly 75% built out. TIF 1 is also home to the \$150 million St. Clare's Hospital and Marshfield Clinic, expected to attract ancillary growth on developable land immediately surrounding the main campus, this portion of the TIF is about 50% built out. TIF 1 is expected to see continued development in the newly designated Business Park South, and the soon to be developed Southeast quadrant (STH 29 and CTH X). Both areas are slated for development over the long run, but taking a little longer to move forward than initially planned. Created in 2004, TIF 2 is much smaller in scope than TIF 1 and is specifically targeted to revitalize the village's historical retail corridor. The village recently adopted an ordinance which restricts peripheral development along the borders of its TIF districts in an effort to maximize activity within each TIF's borders. Development outside TIF boundaries is ongoing and helps to strike a more balanced approach. Officials report that while no major price erosion has occurred for existing property, residential activity has mirrored regional trends by experiencing a notable slowing, especially higher priced housing stock. It appears that commercial/industrial growth has, and is expected to continue to help offset the residential sluggishness. The Wausau economy in general does however have a heightened exposure to manufacturing (one in four for Wausau vs. one in ten nationally), particularly housing related, which could weigh on regional employment levels. Paper, lumber and wood products constitute a significant component of the manufacturing base, producing window and door frames among other related intermediate goods directly related to home construction- both industries which are expected to continue facing difficulties over the near term. The financial service sector (particularly insurance) does represent an element of diversification locally, but it too is facing payroll pressure. To help counter this risk, Weston seeks to attract industries which are less susceptible to off-shoring, or which helps to build on its existing health care foot print (such as medical manufacturing or related research). Village wealth levels roughly approximate state levels, while Marathon County's March unemployment rate of 5.5% roughly approximated state and national levels.

WELL MANAGED FINANCES BENEFIT FROM FORWARD LOOKING PLANNING

Moody's expects the village's financial operations to remain sound due to continued prudent fiscal management, healthy existing reserves, and tight budget oversight. Historically, the Village has consistently posted General Fund surpluses. During 2004 however a slight draw was realized as the village absorbed the cost of retaining some public safety positions which were no longer grant eligible. Though budgeting for a small draw in 2005, the General Fund actually posted a modest \$25,000 surplus, and saw a larger \$232,000 surplus in 2006. Preliminary 2007 figures reveal another surplus of \$204,000, bringing the balance to \$2.9 million, \$2.35 million, or a healthy 33.9% of revenues which remained undesignated. When drafting its budget, Weston targets an undesignated balance of between 17% and 33% of the subsequent year's operating budget (with any excess to be used to reduce the following year's levy), and to keep its levy for operating purposes below 4 mills. Over the past decade the General Fund has consistently hovered near the 33% figure. Weston has undergone a period of sustained growth, and has increased staffing and services at a matching pace (a third EMS shift was approved by voters via referendum last year), and has been successful in deriving operating efficiencies from inter-municipal cooperation on certain public safety

expenditures. The 2008 budget is tracking close to balanced operations with the need to manage escalating fuel costs under levy limits an ongoing reality. To help account for variable costs, the General Fund has a small contingency line item built into the budget, and has a small designation of fund balance now allocated for fuel costs. Future budgets are not expected to see a discernible increase in head count, with an emphasis placed on cost containment across departments. Given management's commitment to maintain existing fund balances, tight budget planning, institutional controls, and key personnel operating under multi-year contracts to ensure continuity, Weston has favorably positioned itself to respond to future challenges should they emerge.

ABOVE AVERAGE DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

As mentioned, to help encourage the aforementioned growth patterns, Weston has issued a significant amount of CDA related lease debt. Including its CDA related debt (which carries the village's appropriation pledge to cure deficiencies in the debt service reserve fund), but adjusting for self supporting enterprise debt, the village's direct debt burden stands at a high 6.6% (8.8% overall). Though high, Moody's notes the CDA debt is payable from TIF revenues which have not impacted the general tax payer. Moody's additionally notes that Weston's CDA borrowing is always correlated to specific projects, and to date, roughly one-third is secured by Letters of Credit with developers which can and has been drawn upon if certain agreed upon valuation benchmarks are not achieved. Once realized, these draws are then to be repaid with generated increment, thereby bridging any cash flow timing issues. Absent the CDA borrowing and adjusting for enterprise related general obligation debt, Weston's direct debt burden moderates to a more average 1.9% (4.0% overall). Weston has adopted a formal debt management policy to guide borrowing decisions, which calls for the total amount of GO debt outstanding not to exceed 50% the statutory ceiling (it had previously been limited to 65%). It additionally calls for GO debt to be amortized within ten years (some existing debt still goes to fifteen), the useful life of the asset borrowed for exceed seven years, and the debt levy not exceed 2 mills. The village furthermore is aggressive in seeking state and federal grants when applicable. As part of its five year rolling CIP plan, the Village expects some modest additional issuance in the near term (a small GO borrowing is scheduled for mid summer), but an overall tapering level of activity over the medium to long run. The CDA could also have a small borrowing in the near future, but with most infrastructure in place, the village believes its issuance activity will likewise be quiet for some time. Moody's believes that despite the total aggregate amount of debt outstanding, Weston's debt profile should remain manageable given the indexing of issuance to development, strong debt planning practices, the continued use of non levy sources, and rapid principal amortization (100% GO debt retired in ten years, 70.60% including CDA). Moody's will continue to monitor Weston's debt profile, the ability of tax increment to meet required debt service, and comment as appropriate.

KEY STATISTICS

2007 Population (estimate): 13,805

2007 Full Valuation: \$956 million

2007 Full Value per Capita (estimated): \$69,294

Direct Debt: 6.6% (1.9% excluding CDA debt)

Overall Debt: 8.8% (4.0% excluding CDA debt)

Payout (10 Years- Including CDA debt): 70.0%

Fiscal 2007(preliminary): General Fund Balance: \$2.9 million (41.8% of General Fund revenues)

Marathon County Unemployment Rate (3-2008): 5.5%

2000 Per Capita Income as a % of State: 94.7% (93.3% of US)

2000 Median Family Income as a % of State: 99.0% (104.7% of US)

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