

CREDIT OPINION

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Greenville, WI

Update to credit analysis

Summary

The [Town of Greenville](#) (Aa3) benefits from a strong socioeconomic profile and moderately-sized tax base expected to grow in the near term. The town's finances are healthy and feature solid reserves. Balance sheet leverage remains low given modest debt and pension burdens, and fixed costs are considered manageable.

Credit strengths

- » Bedroom community with affluent socioeconomic profile
- » Low debt and pension burdens
- » New development will support tax base and property tax growth
- » Sound financial position

Credit challenges

- » Small scale of operations
- » Property taxes for operations, the primary revenue source, have growth limited to new development
- » Elevated fixed costs, though pension contributions are just above the "tread water" level

Rating outlook

Outlooks are generally not assigned to local government credits with this amount of debt.

Factors that could lead to an upgrade

- » Continued growth and diversification of the tax base
- » Significant growth in operating reserves

Factors that could lead to a downgrade

- » Deterioration of the town's financial position
- » Substantial growth in balance sheet leverage from debt and pension liabilities that materially increase the fixed costs burden
- » Material reductions in tax base or socioeconomic measures

Key indicators

Exhibit 1

| Greenville (Town of) WI | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| Economy/Tax Base | | | | | |
| Total Full Value (\$000) | \$1,059,681 | \$1,108,564 | \$1,146,626 | \$1,208,132 | \$1,307,620 |
| Population | 10,564 | 10,787 | 11,043 | 11,302 | 12,091 |
| Full Value Per Capita | \$100,311 | \$102,769 | \$103,833 | \$106,895 | \$108,148 |
| Median Family Income (% of US Median) | 140.5% | 136.9% | 137.2% | 138.3% | 138.3% |
| Finances | | | | | |
| Operating Revenue (\$000) | \$3,739 | \$3,660 | \$4,976 | \$3,953 | \$4,171 |
| Fund Balance (\$000) | \$680 | \$746 | \$994 | \$1,725 | \$1,387 |
| Cash Balance (\$000) | \$9,781 | \$11,498 | \$11,535 | \$12,251 | \$11,978 |
| Fund Balance as a % of Revenues | 18.2% | 20.4% | 20.0% | 43.6% | 33.3% |
| Cash Balance as a % of Revenues | 261.6% | 314.1% | 231.8% | 309.9% | 287.2% |
| Debt/Pensions | | | | | |
| Net Direct Debt (\$000) | \$3,138 | \$3,032 | \$2,374 | \$2,916 | \$3,837 |
| 3-Year Average of Moody's ANPL (\$000) | \$935 | \$1,295 | \$1,363 | \$1,818 | \$1,828 |
| Net Direct Debt / Full Value (%) | 0.3% | 0.3% | 0.2% | 0.2% | 0.3% |
| Net Direct Debt / Operating Revenues (x) | 0.8x | 0.8x | 0.5x | 0.7x | 0.9x |
| Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%) | 0.1% | 0.1% | 0.1% | 0.2% | 0.1% |
| Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x) | 0.2x | 0.4x | 0.3x | 0.5x | 0.4x |

Note: the cash figure is overstated as the town collects property taxes on behalf of overlapping school districts, a college, and the state
 Source: Moody's Investors Service

Profile

Greenville is foremost a bedroom community located near [Appleton](#) (Aa1), and approximately 30 miles southwest of [Green Bay](#) (Aa2 negative). The town's population is approximately 10,309 residents.

Detailed credit considerations

Economy tax base: growing, affluent bedroom community also features manufacturing

The town is an affluent bedroom community that is diversified with its own manufacturing corridor. The tax base was moderately-sized a \$1.3 billion for 2018, which aligns with Aa3 US medians but is larger than many peers in Wisconsin. Residents benefit from proximity to employment centers in nearby larger cities as well as local opportunities featuring major employers like Gulfstream, School Specialty, Inc., Jansport, and Plexus. Officials noted commercial development is healthy, including: Gulfstream undergoing a \$40 million investment locally, Cintas entering the area with an over \$17 million investment and employee additions, and a car dealership is investing \$5-7 million as it relocates from a nearby city. Also, approximately 350 new residential lots are expected to come online in the coming year. Broad-based development will bolster future tax base figures and property taxes. Also, the ten largest taxpayers comprised only 6% of 2017 full value.

Socioeconomic indicators are favorable, including an affluent median family income of 138.3% of the US according to the 2016 American Community Survey. Full value per capita, a proxy for wealth, was high at \$108,148. Access to other, larger cities and local manufacturing support strong demographics, with officials estimating that half of working residents commute while others are employed within the town. The unemployment rate in Outagamie County was very low at 2.4% as of May 2018. Population growth has been in the 2-3% range annually following 2010.

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Financial operations and reserves: solid financial position for small town

The town's financial profile is expected to remain healthy, but with nominally small operations. In fiscal 2017, available reserves were 33.3% of operating funds' revenues. The town created a debt service fund which we now also include in operating funds. The general fund's deficit in fiscal 2017 was driven by an increase in public works spending as well as a transfer to a new capital fund to support a new project. The debt service fund realized a small surplus as tax revenues were greater than debt service. For fiscal 2018, the budget is balanced and year-to-date expectations are that the general fund will realize an approximately \$200,000 surplus since \$250,000 of public works spending related to contracts should be deferred; other costs are largely as expected although higher snow plow costs detract modestly from the general fund's surplus.

Property taxes are the largest source of revenue for the town and accounted for 59.5% of fiscal 2017 operating funds' revenues. Growth in property taxes for operations are generally limited to new construction and improvements. Charges for services, including permit fees, are the second largest revenue source and comprised 13.6% of revenues. Intergovernmental aid is the town's third largest revenue source at 9.8% of revenues.

LIQUIDITY

The town's very high cash position reflects its collection of property taxes on behalf of two school districts, Fox Valley Technical College District, the county, and the state. As of fiscal 2017, total liquidity in operating funds was 287.2% of revenues.

Debt and pensions: low balance sheet leverage amid additional debt plans

The town's direct debt burden is low at 0.4% of full value and 1.2x fiscal 2017 operating revenues, including the current issuance. The town will seek voter approval for \$6 million of GOULT bond authorization in August 2018 to finance the majority of costs for constructing a new fire station. Over the medium term, the district may issue additional GOULT promissory notes to fund its capital plan.

Fixed costs fluctuated in recent years due largely to annual debt service requirements, including 18.8% of operating revenues in fiscal 2017 and a more elevated 26.6% in fiscal 2016. Fixed costs substantially comprise GOULT debt service plus small pension contribution amounts.

DEBT STRUCTURE

The town's debt consists of several GOULT promissory notes totaling \$5.2 million, including the current offering. Amortization is rapid with full payout by 2028.

DEBT-RELATED DERIVATIVES

The town does not have any debt-related derivatives.

PENSIONS AND OPEB

Employees participate in the Wisconsin Retirement System (WRS), a statewide cost-sharing defined benefit pension plan. Moody's adjusted net pension liability (ANPL) from fiscal years 2015-17 for Greenville, under [our methodology for adjusting reported pension data](#), averaged only 0.4x fiscal 2017 operating revenues and 0.1% of 2018 full value. Contribution to WRS in fiscal 2017 totaled a modest \$74,000. ANPL reflects the allocation of WRS liabilities to participating employers. ANPL is not intended to replace the town's reported liability information but is used to enhance comparability with other rated entities.

Pension contributions slightly exceeded the "tread water" level in fiscal 2016, which is the amount of contributions needed to prevent the net pension liability from growing under the pension plan's own assumptions. On average, local governments nationally only nearly tread water in fiscal 2016. Audited financial data for WRS is not yet available for fiscal 2017.

The town does not offer OPEB.

Management and governance: prudent leadership

Wisconsin cities have an Institutional Framework score of A, which is moderate. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue source, property tax revenue, is subject to a cap that restricts cities from increasing their operating property tax levies except to capture amounts represented by net new construction growth. Revenues and expenditures tend to be predictable. Across the sector, fixed and mandated costs are generally high. Expenditures are somewhat flexible, as collective bargaining is allowed for public safety employees but is curbed for non-public safety employees.

In 2018, management adopted a new policy to target an undesignated general fund balance of 25% of operating expenditures, with excess balance designated for purposes such as pay-go portions of capital projects.

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