

# RatingsDirect®

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## Summary:

# Waunakee Community School District, Wisconsin; General Obligation

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Credit Profile		
US\$14.02 mil GO sch bnds ser 2024 due 04/01/2044		
<i>Long Term Rating</i>	AA-/Stable	New
Waunakee Comnty Sch Dist GO prom nts		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AA-' long-term rating to Waunakee Community School District, Wis.' approximately \$14 million series 2024 general obligation (GO) school bonds, based on the application of its "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.
- At the same time, we affirmed our 'AA-' long-term rating on the district's GO debt outstanding.
- The outlook is stable.

### Security

The district's full faith, credit, and unlimited ad valorem tax secures the GO debt. Voters authorized \$175 million in GO bonds in the Nov. 8, 2022, election. This issuance represents the third installment of that amount. Officials plan to issue \$52 million in bond anticipation notes (BANs) in early 2025. Series 2024 bond proceeds will be used to finance construction of a new middle school.

### Credit overview

The 'AA-' long-term rating is supported by the district's affluent local economy near Madison, formalized long-term planning, and steady financial performance. Tempering these strengths are its high level of debt and reserves below its policy level of 15% of operating expenditures.

Voters approved of operating levy increases in the November 2024 election, which will replace expiring levies that had brought in \$1.0 million in fiscal 2023, \$3.0 million in 2024, and \$6.0 million in 2025. The district will receive \$8.6 million in fiscal 2026 and \$9.1 million in fiscal 2027 and beyond. There is also a separate nonrecurring portion for employee compensation costs that expires in fiscal 2027, as officials are hopeful that state aid will come in higher in future years.

After several years of deficit spending spurred by pay-as-you-go capital projects, the district posted operating surpluses in fiscal years 2021 and 2022. Fiscal 2023 results reflect a small deficit due to discretionary investment in other postemployment benefits (OPEBs). For fiscal 2024, the district estimates a deficit of \$540,000, or less than 1% of budgeted revenue, in part due to higher transportation costs and the department head use of the carry-over budget from the previous year. Officials intend to adopt balanced budgets while maintaining available reserves around a

## Summary: Waunakee Community School District, Wisconsin; General Obligation

similar dollar amount, which we view as achievable given new money coming in to offset inflationary and salary increases. Thus, we anticipate rating stability over the outlook horizon.

The 'AA-' long-term rating further reflects our opinion of the district's:

- Location 10 miles northeast of Madison within a rapidly growing regional economy, supporting high gross county product per capita as a percentage of pears and effective buying incomes stronger than county and U.S. averages;
- Stable operating profile with balanced budget results projected in the coming years, supported by recent operating levy increases and pauses in capital spending;
- Management practices that incorporate long-term financial projections, high-level capital planning that lacks finer details, and reserves not quite in line with the board's formal policy minimum of 15% of operating expenditures;
- High direct debt per capita, with costs that might escalate in outyears given additional debt plans, including refinancing BANs and promissory notes with long-term financing; and
- Favorable pension position as a result of participation in the fully funded Wisconsin Retirement System defined-benefit pension plan and partially funded OPEBs (35% funded in fiscal 2023) that we do not view as a medium-term credit pressure given that annual contributions make up a small percentage of the budget, the funded ratio has greatly improved over the past five years whereas many districts fund OPEBs on a pay-as-you-go basis, and only modest increases in contributions are projected in the coming years based on a recent actuarial study.
- For more information on our institutional framework assessment for Wisconsin school districts, see "Institutional Framework Assessment: Wisconsin Local Governments," published Sept. 10, 2024.

### Environmental, social, and governance

We view the district's trend of growing enrollment as a social capital opportunity as enrollment growth brings more state aid revenue and population growth provides underlying economic strength to generate residential and commercial development. However, enrollment growth can pose a challenge with managing additional capital needs, as is evident in the district's history of deficit spending for capital-related costs and plans to issue significant debt to address capacity concerns. We view the district's environmental and governance factors as neutral in our credit rating analysis.

## Outlook

The stable outlook reflects S&P Global Ratings' expectation of credit stability despite the district's large and increasing debt burden given its robust and growing economy and history of relatively stable reserves.

### Downside scenario

We could take negative rating action if budgetary imbalance causes a material decline in reserves without a plan for timely replenishment.

### Upside scenario

Although we view such a scenario as unlikely over the outlook horizon, we could take positive rating action with moderation in the district's debt burden and more formalized financial policies and practices, particularly with respect to capital planning and meeting the board's fund balance policy

## Summary: Waunakee Community School District, Wisconsin; General Obligation

**Table 1**

Waunakee Community School District, Wisconsin--credit summary	
Institutional framework (IF)	2
Individual credit profile (ICP)	2.34
Economy	1.0
Financial performance	2
Reserves and liquidity	2
Management	2.95
Debt and liabilities	3.75

**Table 2**

Waunakee Community School District, Wisconsin--key credit metrics				
	Most recent	2023	2022	2021
<b>Economy</b>				
Real GCP per capita % of U.S.	128	--	128	128
County PCPI % of U.S.	112	--	112	113
Market value (\$000s)	4,879,197	4,195,442	3,639,477	3,383,828
Market value per capita (\$)	213,504	183,584	160,083	152,955
Top 10 taxpayers % of taxable value	3.2	3.7	3.3	--
County unemployment rate (%)	2.3	2.3	2.1	2.9
Local median household EBI % of U.S.	145	149	152	154
Local per capita EBI % of U.S.	142	142	137	140
Local population	22,853	22,853	22,735	22,123
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	63,366	59,583	56,880
Operating fund expenditures (\$000s)	--	63,835	58,382	55,640
Net transfers and other adjustments (\$000s)	--	(204)	--	(174)
Operating result (\$000s)	--	(673)	1,201	1,066
Operating result % of revenues	--	(1.1)	2.0	1.9
Operating result three-year average %	--	0.9	1.1	--
Enrollment	--	4,414.0	4,391.0	4,306.0
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	11.2	13.1	12.1
Available reserves (\$000s)	--	7,089	7,815	6,861
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	10.3	16.1	11.4
Net direct debt per capita (\$)	7,006	6,774	2,254	2,763
Net direct debt (\$000s)	160,100	154,803	51,250	61,136
Direct debt 10-year amortization (%)	83	--	--	--
Pension and OPEB cost % of revenues	--	4.0	3.0	4.0
NPLs per capita (\$)	--	431	--	--

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Table 2

Waunakee Community School District, Wisconsin--key credit metrics (cont.)

	Most recent	2023	2022	2021
Combined NPLs (\$000s)	--	9,857	--	--

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings Detail (As Of November 27, 2024)

Waunakee Comnty Sch Dist taxable GO rfdg qual sch const & Build America bnds		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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