

RatingsDirect®

Summary:

Hobart Village, Wisconsin; General Obligation

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US\$10.0 mil GO prom nts ser 2024A due 03/01/2032

Long Term Rating AA/Stable New

US\$1.46 mil taxable GO prom nts ser 2024B due 03/01/2032

Long Term Rating AA/Stable New

Hobart Vill GO

Long Term Rating AA/Stable Affirmed

Hobart Vill GO

Long Term Rating AA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA' rating to Hobart Village, Wis.' roughly \$10 million series 2024A general obligation (GO) promissory notes and roughly \$1.5 million series 2024B taxable GO promissory notes.
- At the same time, S&P Global Ratings affirmed its 'AA' rating on the village's existing GO debt.
- The outlook is stable.

Security

The village's full-faith-and-credit pledge and unlimited ad valorem tax secure the GO debt. Officials will use the promissory notes to finance community development projects and the construction of a new fire station.

Credit overview

Hobart, a suburb of Green Bay, has experienced considerable growth recently, spurred by new housing and economic development projects. Local taxes, which make up the majority of revenue, support operations, with steady increases during the past several fiscal years. Management attributes most of the recent tax-base growth to real estate appreciation. As the village continues with its development plans, we expect the property tax base will likely remain stable and continue to support operations.

Management usually budgets conservatively for breakeven results for the current fiscal year, which is why the fiscal 2024 budget shows breakeven operational results with a contingency of \$150,000. Management's fiscal 2023 estimates show a general fund surplus of roughly \$190,000 net of transfers. It incorporates contingency expenses into the budget that end up supporting operating results if not spent. In fiscal 2023, management set aside \$142,000 for contingencies that went unspent at fiscal year-end. In addition to the unspent contingency, Hobart received higher-than-expected building permit revenue and investment income.

Hobart has routinely issued debt to support ongoing development, primarily in its tax-increment districts. We consider elevated debt a rating constraint that could cause downward rating pressure if costs were to continue to grow as a

percent of the budget. However, the village does not currently have any additional debt plans; therefore, we expect the debt profile will likely remain elevated but manageable during the next few years.

The rating reflects our opinion of Hobart's:

- Very strong economy with access to a broad, diverse metropolitan statistical area (MSA);
- Good financial-management policies, practices under our Financial Management Assessment (FMA) methodology—highlighted by its quarterly budget-to-actual results and investment reporting to the village board, formal five-year capital plan, and recently revised formal reserve policy that includes larger debt-service payments—and strong Institutional Framework score;
- Strong budgetary performance, with an estimated general fund operating surplus in fiscal 2023, coupled with a history of maintaining very strong budgetary flexibility; and
- Weak debt-and-contingent-liability profile, with debt service carrying charges at 32% of expenditures and net direct debt that is 579% of total governmental fund revenue, and low pension and other postemployment benefit (OPEB) costs.

We note that the sovereign Oneida Nation of Wisconsin's reservation overlaps with Hobart in the Green Bay MSA. Sovereign Indian nations can apply to the Bureau of Indian Affairs to have the federal government place lands in trust. Once this is accomplished, the land is not subject to property taxation. The tribe currently owns 322 parcels in Hobart with a preliminary fiscal 2024 assessed value (AV) of about \$40 million, or 4% of total AV, which makes it the village's leading single taxpayer. Currently, the land is subject to property taxation. However, the tribe has multiple applications pending before the Bureau of Indian Affairs to place the land in trust; most of these have been filed since 2008 and represent 148 parcels valued at \$9.6 million, or 1% of total AV. In our view, Hobart is not at significant risk of property tax revenue loss if the bureau moves the lands into a trust because of its statutory levy limit.

Hobart's property tax levy is subject to statutory levy limits, meaning the village can increase its annual levy by the greater of the percent change in value due to net new construction, or 0%. Therefore, AV losses do not translate into losses in the village's ability to levy because of the 0% floor. Substantial AV loss would likely result in tax increases for other taxpayers since they would be forced to pay an increasingly large share of the total cost of government. In our view, further market value growth, as predicted, would likely offset any potential AV losses if the bureau places the tribe's land into a trust.

Environmental, social, and governance

Environmental, social, and governance risks are neutral within our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view that management will likely continue to practice conservative budgeting to maintain stable operations and very strong reserves as it continues to pay down debt service.

Downside scenario

We could lower the rating if budgetary performance were to weaken, causing available reserves to decrease below the

village's formal reserve policy of maintaining 25% of expenditures in reserve; if economic metrics were to deteriorate significantly; or if total fixed-cost carrying charges were to increasingly pressure finances.

Upside scenario

With all else equal, we could raise the rating if debt were to decrease substantially while management maintains current reserves.

| Hobart Village, Wisconsin--Key credit metrics | | | | |
|---|-------------|------------------------|-----------|---------|
| | Most recent | Historical information | | |
| | | 2022 | 2021 | 2020 |
| Strong economy | | | | |
| Projected per capita EBI % of U.S. | 122 | 135 | 126 | 132 |
| Market value per capita (\$) | 162,599 | 122,077 | 114,439 | 105,165 |
| Population | | 9,317 | 9,232 | 9,238 |
| County unemployment rate (%) | | 2.6 | 2.6 | 3.5 |
| Market value (\$000) | 1,514,933 | 1,137,392 | 1,056,502 | 971,510 |
| Ten largest taxpayers % of taxable value | 18.1 | 15.9 | 17.0 | 16.0 |
| Very strong budgetary performance | | | | |
| Operating fund result % of expenditures | | 3.4 | (1.2) | 0.5 |
| Total governmental fund result % of expenditures | | 24.5 | 9.9 | 13.4 |
| Very strong budgetary flexibility | | | | |
| Available reserves % of operating expenditures | | 43.8 | 45.1 | 38.1 |
| Total available reserves (\$000) | | 1,761 | 1,625 | 1,366 |
| Very strong liquidity | | | | |
| Total government cash % of governmental fund expenditures | | 149.1 | 120.7 | 132.9 |
| Total government cash % of governmental fund debt service | | 462.9 | 355.5 | 349.4 |
| Strong management | | | | |
| Financial Management Assessment | Good | | | |
| Weak debt & long-term liabilities | | | | |
| Debt service % of governmental fund expenditures | | 32.2 | 34.0 | 38.0 |
| Net direct debt % of governmental fund revenue | 579.0 | | | |
| Overall net debt % of market value | 6.2 | | | |
| Direct debt 10-year amortization (%) | 88.4 | | | |
| Required pension contribution % of governmental fund expenditures | | 2.1 | | |
| OPEB actual contribution % of governmental fund expenditures | | 0.0 | | |
| Strong institutional framework | | | | |
| EBI--Effective buying income. OPEB--Other postemployment benefits. | | | | |

Data points and ratios may reflect analytical adjustments.

Related Research

Credit Conditions North America Q3 2022: Credit Headwinds Turn Stormy, June 28, 2022

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

Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of February 22, 2024)

Hobart Vill GO prom nts

Long Term Rating

AA/Stable

Affirmed

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