Summary:
Oconto County, Wisconsin; General Obligation

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Credit Profile
US$10.0 mil GO prom nts ser 2015 due 06/01/2025
Long Term Rating  AA+/Stable  New

Rationale
Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Oconto County, Wis.' series 2015 general obligation (GO) promissory notes. The outlook is stable.

The county's unlimited-tax GO pledge secures the notes. Management will use note proceeds, together with some funds on hand from the county, to construct and equip the county's new law enforcement center.

The rating reflects our assessment of the following factors for the county, including its:

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating results that we expect could deteriorate in the near term relative to fiscal 2013, which closed with operating surpluses in the general fund and at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2013 of 64% of operating expenditures;
- Very strong liquidity, with total government available cash of 54.3% of total governmental fund expenditures, and access to external liquidity we consider strong;
- Very strong debt and contingent liability position, with no debt service paid from governmental funds and net direct debt that is 24.5% of total governmental fund revenue and low overall net debt at less than 3% of market value and rapid amortization with 75.0% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Adequate economy
We consider Oconto County's economy adequate. Oconto County, with an estimated population of 37,221, is located in the Green Bay, Wis. MSA, which we consider to be broad and diverse. The county has a projected per capita effective buying income of 83.6% of the U.S. level and per capita market value of $95,524. Overall, the county's market value grew by 1.2% over the past year to $3.6 billion in 2015. The county unemployment rate was 6.2% in 2014.

Oconto County is located in northeastern Wisconsin and covers approximately 1,000 square miles. The county seat, Oconto, is located on the water about 35 miles north of Green Bay. With its large coverage area, and proximity to Green Bay, the county has a mix of residential-, commercial and industrial-, and tourism- based local economies. Leading employers include boat manufacturer KCS International (300 employees), Oconto Falls School District (269), the county government (252), canning and food processing plant Friday Foods (200), and HSHS St. Clare Memorial Hospital (170).
Strong management
We view the county’s management as strong, with "good" financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

The county reviews internal and external data sources in developing revenue and expenditures assumptions, and builds the budget line-by-line. The management team reviews budget-to-actual comparisons monthly and brings any variances from the budget to the county board, so that amendments can be made as needed. The county has not done multiyear financial projections annually, but it keeps a five-year capital improvement plan, which is updated annually and identifies the estimated costs and sources of funds for all projects throughout the plan. The county has its own investment policy and reports to the county board on its investment portfolio with a monthly treasurer’s report. While there is no debt management policy beyond state limitations, the county has a formalized reserve policy that stipulates minimum reserve levels in the general fund. The policy requires the unreserved-designated balance to be maintained at a minimum of $4 million for cash flow purposes, and the reserved-undesignated at a minimum of $2 million for contingency purposes.

Strong budgetary performance
Oconto County’s budgetary performance is strong in our opinion, with operating surpluses of 9.3% in the general fund and 3.3% across all governmental funds in fiscal 2013. Our assessment accounts for the fact that we expect budgetary results could deteriorate somewhat from 2013 results in the near term.

While general fund and total governmental fund performance has remained consistently very strong in prior years after adjusting for one-time items and recurring transfers, we expect that, in fiscal 2014, the county will increase spending from total governmental funds to aid with capital projects. Therefore, we expect the performance to be strong during the next two years.

Very strong budgetary flexibility
Oconto County’s budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2013 of 64% of operating expenditures, or $10.6 million. We expect the available fund balance will remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

The county transferred $3.0 million from the general fund to the capital projects fund in 2013 and transferred another $2.0 million to the capital projects fund in 2014, according to management. The transfers will help to fund a portion of the law enforcement building for which the county has issued the series 2015 promissory notes, in an effort to utilize excess reserves in place of issuing a larger amount of debt. Management expects general fund reserves to remain level in 2015; therefore, we do not expect the performance score to deteriorate in the near term.

Very strong liquidity
In our opinion, Oconto County’s liquidity is very strong, with total government available cash of 54.3% of total governmental fund expenditures in 2013. In our view, the county has strong access to external liquidity if necessary.

The county has a history of issuing GO debt but has not issued debt secured by other revenue sources in recent years. We understand that it does not have any alternative finances that pose liquidity concerns. While we view the state
investment policy as permissive, we do not consider Oconto County's investments in the Wisconsin Local Government Investment Pool as aggressive.

**Very strong debt and contingent liability profile**
In our view, Oconto County's debt and contingent liability profile is very strong. Oconto County does not pay any debt service out of governmental funds, but net direct debt is 24.5% of total governmental fund revenue. Overall net debt is low at 1.7% of market value and approximately 75.0% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

The series 2015 promissory notes will be the county's only debt outstanding. Future debt service carrying charges are estimated at 2.5%, and management has no additional debt plans.

Oconto County's combined pension and other postemployment benefit (OPEB) contributions totaled 2.9% of total governmental fund expenditures in 2013. The county made its full annual required pension contribution in 2013.

The county participates in the Wisconsin Retirement System (WRS), a state-administered pension plan. In 2013, the county's required contribution to WRS was $1.075 million, and the county contributed 100%. The county also offers postemployment health insurance coverage for eligible retirees. The county pays this liability on a pay-go basis, and contributed $68,000 for current claims in fiscal 2013.

**Strong institutional framework**
The institutional framework score for Wisconsin counties with a population greater than 25,000 is strong. See the institutional framework score for Wisconsin.

**Outlook**
The stable outlook reflects our expectation that the county will maintain its very strong flexibility, liquidity, and debt and contingent liability profiles. While not expected within the next two years, if performance were to deteriorate significantly due to capital or other spending, and weakened the county's financial flexibility, we could consider a lower rating. Alternatively, if economic metrics were to significantly improve, we could consider a higher rating.

**Related Criteria And Research**

**Related Criteria**
- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006

**Related Research**
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Wisconsin Local Governments

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