

RatingsDirect®

Summary:

West Salem School District, Wisconsin; General Obligation

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West Salem School District, Wisconsin; General Obligation

Credit Profile

US\$20.72 mil GO prom nts dtd 04/03/2025 due 04/01/2045

<i>Long Term Rating</i>	AA-/Stable	New
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West Salem Sch Dist GO rfdg bnds

<i>Long Term Rating</i>	AA-/Stable	Upgraded
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Credit Highlights

- S&P Global Ratings raised its rating on West Salem School District, Wis.' existing general obligation (GO) bonds to 'AA-' from 'A+'.
- At the same time, S&P Global Ratings assigned its 'AA-' rating to the district's \$20.7 million GO promissory notes dated April 3, 2025.
- The outlook is stable.
- The upgrade reflects the district's robust budgetary monitoring practices and recent increase in levy capacity that does not sunset.
- The rating reflects the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.

Security

The district's full-faith-and-credit unlimited-tax GO pledge secures the notes.

Officials intend to use note proceeds to refund bond anticipation notes (BANs), expand career and technical education (CTE) facilities, and address capital maintenance needs.

Credit overview

The 'AA-' rating reflects our view of the budgetary stability provided by the district's robust budgetary monitoring and the recently approved \$3.5 million operating levy capacity increase that does not sunset. The district has a formal fund balance policy equal to 12% of expenditures. The policy does not distinguish between nonspendable, restricted, or unassigned funds like we do in the reserve metrics utilized in our analysis. Through robust budgetary monitoring, the district has been able to sustain a fund balance closely in-line with this policy level when including restricted and nonspendable funds. In our view, available reserves (assigned and unassigned funds) are relatively weak compared with peers' on both a nominal basis and relative to revenue. Although they adhere to the district's policy, we view reserves as an offsetting credit attribute.

The \$30.06 million fiscal 2025 budget reflects a marginal spending increase from fiscal 2024 and balanced operating

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results. In fiscal 2024, operating expenditures exceeded budget, but this is primarily the result of the district continuing to adhere firmly to its fund balance policy target. The recently obtained operating levy capacity increase will go into effect in fiscal 2026. Officials indicate that the referendum allows them to capture \$3.5 million in additional revenue, but the district does not expect to use all of the additional authority in fiscal 2026. This additional levy authority will help the district address new positions for its CTE expansions as well as manage any unexpected changes to state or federal aid. We view this additional flexibility as a key factor supporting the upgrade, as reserves are below average for the 'AA-' rating level and will likely remain so as this is the district's policy target.

Credit fundamentals supporting the rating include our opinion of the following:

- Real gross county product for La Crosse County has lagged the nation's economic growth rate recently, with per capita gross product marginally lower than the nation. We view the district's service area as primarily a bedroom community for the city of La Crosse. There is a limited amount of new development in the district, but space remains for additional development. The district's population has consequently been stable, but enrollment has been increasing due to open enrollment. We believe access to employment in La Crosse and room for additional development will help maintain stability in the local economy.
- With additional revenue-raising capacity, we expect financial performance will likely remain at least balanced during the next few fiscal years and the district will maintain reserves in-line with its policy target. The district's predictable operating environment from stable enrollment trends, lack of collective bargaining agreements, well-funded pensions, and predictable state funding environment for school finances, combined with its budgetary monitoring and forecasting, further support this belief.
- Financial management framework includes forward-looking budgetary practices with robust monitoring, comprehensive long-term financial planning used ahead of referendums and the monitoring of capital needs, and formal debt and investment policies that adhere to statutory limits and a formal reserve policy that the district closely adheres to. We note that the district's reserve policy was previously targeting between 12% and 17%, and it had not strictly adhered to the lower limit. Since the adoption of the new policy in May 2022, the district has maintained funds that comply with the new policy.
- Direct debt totals \$40.7 million, and an additional \$5 million of debt will capture the full electorate-approved referendum amount. The district issued a BAN ahead of this issuance for which it intends to repay a portion of with \$2.55 million from available levy capacity. Officials told us that with the bond proceeds, the district's facility and capital needs should be stable through at least the next five years. With this new debt and the \$5 million of upcoming debt, we believe debt service carrying charges will increase to approximately 16% of total governmental fund revenue with anticipated revenue growth. This projected cost increase marginally weakens our assessment of the district's debt and liabilities.
- Exposure to retirement liabilities is limited because Wisconsin Retirement System is regularly among the nation's best-funded pension systems: It was 98.8% funded as of Dec. 31, 2023, with a district net pension liability of \$1.12 million. The district offers limited other postemployment benefits (OPEB), for which it has a trust that covers 25% of the liability with a \$1.8 million net OPEB liability.
- 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

Environmental, social, and governance factors are neutral within the credit analysis. The district's cyber security and cyber incident response procedures are relatively stronger than what we typically seen among peers.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that operations will remain at least balanced during the next few fiscal years given additional flexibility provided by a voter-authorized levy increase.

Downside scenario

Should budgetary pressure emerge, reserves diminish from current levels, or the district use cash flow borrowing to support operations, we could lower the rating.

Upside scenario

We could raise the rating if reserves materially increased, debt moderated, and economic metrics improved to levels more commensurate with those of higher-rated peers.

Table 1

West Salem School District, Wisconsin--credit summary	
Institutional framework (IF)	2
Individual credit profile (ICP)	2.27
Economy	2.0
Financial performance	2
Reserves and liquidity	2
Management	2.35
Debt and liabilities	3.00

Table 2

West Salem School District, Wisconsin--key credit metrics				
	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	97	--	--	97
County PCPI % of U.S.	92	--	--	92
Market value (\$000s)	1,513,125	1,442,530	1,261,297	1,109,208
Market value per capita (\$)	147,507	140,625	122,957	108,395
Top 10 taxpayers % of taxable value	4.0	--	--	--
County unemployment rate (%)	2.5	2.5	2.6	2.5
Local median household EBI % of U.S.	105	--	105	103
Local per capita EBI % of U.S.	99	--	99	92
Local population	10,258	--	10,258	10,233
Financial performance				
Operating fund revenues (\$000s)	--	30,187	27,384	26,027
Operating fund expenditures (\$000s)	--	29,740	27,346	25,296
Net transfers and other adjustments (\$000s)	--	(42)	(248)	(440)

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Table 2

West Salem School District, Wisconsin--key credit metrics (cont.)				
	Most recent	2024	2023	2022
Operating result (\$000s)	--	405	(210)	291
Operating result % of revenues	--	1.3	(0.8)	1.1
Operating result three-year average %	--	0.6	1.0	1.3
Enrollment	--	1,833	1,854	1,825
Reserves and liquidity				
Available reserves % of operating revenues	--	11.0	11.0	13.0
Available reserves (\$000s)	--	3,328	3,007	3,384
Debt and liabilities				
Debt service cost % of revenues	--	6.6	9.1	10.1
Net direct debt per capita (\$)	3,972	1,952	2,104	2,329
Net direct debt (\$000s)	40,743	20,023	21,585	23,835
Direct debt 10-year amortization (%)	38	74	--	--
Pension and OPEB cost % of revenues	--	4.0	4.0	4.0
NPLs per capita (\$)	--	109	387	--
Combined NPLs (\$000s)	--	1,121	3,973	--

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.

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