

RatingsDirect®

Summary:

Sun Prairie Area School District, Wisconsin; General Obligation

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Credit Profile		
US\$65.68 mil GO rfdg bnds ser 2025 due 03/01/2035		
Long Term Rating	AA/Stable	New
Sun Prairie Area Sch Dist GO rfdg bnds		
Long Term Rating	AA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Sun Prairie Area School District, Wis.' \$65.6 million series 2025 general obligation (GO) refunding 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 existing GO bonds.
- The outlook is stable.

Security

The series 2025 GO bonds are secured by the district's unlimited-tax ad valorem GO pledge. Bond proceeds will be used to refund the district's existing debt for interest cost savings.

Credit overview

Sun Prairie Area School District's strong local economy and consistent trend of positive operations support the 'AA' rating. The rating further reflects the district's sound management policies and budgetary approaches. Adjacent to Madison, Wisconsin's state capitol and home to the state's flagship university, the primarily residential school district's economy is above average compared with that of other districts nationally. The district's financial performance is another positive credit factor, highlighted by a trend of operational surpluses. Voters recently approved an increase in the operational levy to support higher salaries for teachers, which officials indicate will lead to balanced operations during the next four years after a planned deficit in fiscal 2025.

The district's management practices are a credit strength and highlighted by a detailed five-year, annually updated financial forecast and ten-year capital facilities maintenance plan. Its budget oversight is characterized by strong reporting mechanisms to its board, with monthly budget-to-actual financial reporting and quarterly adjustments to its budget. The district's debt profile is characterized by high net direct debt per capita and moderate current costs of debt and liabilities. It does not have any additional new-money debt plans, nor is it a party to any direct-purchase debt. The district participates in the Wisconsin Retirement System, which is well-funded at 98.8% with a small \$5.6 million net pension liability for the district. Overall, we view the rating as well-placed at 'AA' and upward rating potential as being somewhat limited by its relatively high debt burden and its economic metrics, with its incomes not commensurate with

those of higher rated peers.

Additional credit factors supporting the rating include:

- Benefiting from its location adjacent to Madison, the state capital and home to the University of Wisconsin, Sun Prairie Area School District is a primarily residential district that has reported robust tax base growth in recent years, trends that officials expect will continue. The district's GCP per capita and county per capita personal income metrics are 128.4% and 112.5% of the U.S., respectively, above-average economic metrics that reflect the vitality of the economy.
- The district's operational performance is healthy, with four consecutive audited surpluses. After a planned deficit in fiscal 2025, it expects balanced operations during the next four years, aided by a November 2024 referendum approved by voters authorizing a levy increase for operations. After a drop in enrollment after Covid-19, the district's enrollment has grown and officials project it will be stable-to-growing from now on.
- Reserves are sizable, with an available fund balance in its general fund of approximately \$30 million or 21.1% of revenue at fiscal year-end 2024, in compliance with its reserve policy of 15% of expenditures.
- Management practices are supported by analysis of past revenue and expense trends with forward-looking budgets supported by monthly budget-to-actual updates to the board, and quarterly budget adjustments. The district maintains a detailed five-year long-term financial plan and a ten-year capital maintenance plan for upcoming projects, both of which are updated annually. Its policies include an investment and a reserve policy requiring it maintain 15% of expenditures in reserve.
- The district's debt profile is characterized by elevated net direct debt per capita, at \$5,442, and moderate annual costs for debt and liabilities. It has no additional debt plans during the next few years. Fixed costs are manageable and benefit from the district's participation in the Wisconsin Retirement System, one of the best-funded pension plans in the nation.
- For more information on our institutional framework assessment for Wisconsin school districts, see "Institutional Framework Assessment: Illinois Local Governments," published Sept. 10, 2024.

Environmental, social, and governance

We consider the district's environmental, social, and governance factors neutral within our credit analysis.

Outlook

The stable outlook reflects our anticipation that the district will maintain steady operating performance and sustain its reserves at levels consistent with its fund balance policy. We do not expect to change the rating within the next two years.

Downside scenario

We could take a negative rating action if the district's financial performance deteriorates significantly or if its relatively high debt burden weakens its operational flexibility, leading to a material decrease in the available fund balance.

Upside scenario

We could take a positive rating action if the district's debt levels were to moderate significantly; its economic characteristics, particularly its incomes, were to materially improve; and its reserves increase, while maintaining or

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improving on its other credit characteristics.

Table 1

Sun Prairie Area School District, Wisconsin--Credit summary	
Institutional framework (IF)	2
Individual credit profile (ICP)	1.91
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.30
Debt and liabilities	3.25

Table 2

Sun Prairie Area School District, Wisconsin--Key credit metrics				
	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	128			128
County PCPI % of U.S.	112			112
Market value (\$000s)	9,035,643	8,201,709	7,185,076	6,283,230
Market value per capita (\$)	179,678	163,095	142,879	128,221
Top 10 taxpayers % of taxable value				
County unemployment rate (%)	2.3	2.3	2.3	2.1
Local median household EBI % of U.S.	122		122	120
Local per capita EBI % of U.S.	112		112	108
Local population	50,288		50,288	49,003
Financial performance				
Operating fund revenues (\$000s)		142,190	138,752	125,544
Operating fund expenditures (\$000s)		137,219	127,460	120,571
Net transfers and other adjustments (\$000s)		(3,067)	(6,246)	(3,622)
Operating result (\$000s)		1,904	5,046	1,351
Operating result % of revenues		1.3	3.6	1.1
Operating result three-year average %		2.0	2.2	2.5
Enrollment		8,411	8,350	8,600
Reserves and liquidity				
Available reserves % of operating revenues		21.1	20.9	19.0
Available reserves (\$000s)		29,936	28,975	23,798
Debt and liabilities				
Debt service cost % of revenues		14.7	14.8	11.7
Net direct debt per capita (\$)	5,442	5,984	6,240	6,661
Net direct debt (\$000s)	273,670	300,901	313,808	326,415
Direct debt 10-year amortization (%)	50	57		
Pension and OPEB cost % of revenues		3.0	4.0	3.0
NPLs per capita (\$)		135	416	631

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Table 2

Sun Prairie Area School District, Wisconsin--Key credit metrics (cont.)				
	Most recent	2024	2023	2022
Combined NPLs (\$000s)		6,801	20,901	30,942
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 February 19, 2025)				
Sun Prairie Area Sch Dist GO qual sch const bnds				
Long Term Rating		AA/Stable		Affirmed
Sun Prairie Area Sch Dist ICR				
Long Term Rating		AA/Stable		Affirmed

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