

## Moody's Investor Service Comments on West Bend Growth

March 18, 2011

Moody's Investor Service in its recent rating (A1) of the City's general obligation borrowing for 2011 summarized the City's overall growth particularly in the downtown area as follows:

## "ACTIVE DEVELOPMENT INITIATIVES CONTINUE IN LIGHT OF BROADER ECONOMIC CHALLENGES"

"Located 35 miles north of the City of Milwaukee (general obligation rated Aa1/negative outlook) along Highway 45, the City of West Bend encompasses a sizeable 30 square miles in Washington County (rated Aaa). Its large \$2.5 billion tax base has grown at a moderate 2.9% five year average annual rate (which includes a 5.2% decline in 2010), driven largely by significant city redevelopment initiatives.

Though predominantly residential at 67% of valuation, the city's boost a significant commercial presence that makes up 28% of the city's valuation. Through a concerted effort, the city has attracted commercial, retail, light and heavy industrial development using tax increment incentives. Despite the decline in tax base valuation, officials report that construction projects totaling \$35 million in value were completed in fiscal 2010. The trend is likely to continue as management notes that various projects with a combined estimated value of \$25 million have been approved thus far in 2011.

The city has made extensive use of tax increment financing districts in order to encourage a wide range of development in both the downtown and outlying areas, though due to recent economic conditions most are moving slower than expected. Currently, several of the city's eleven open TIFs are not self-supporting and have required the back-stop pledge of a developer agreement or the city's debt service levy to cover associated costs.

Overall, West Bend enjoys some critical ingredients for sustained future growth: stability in key employers, significant available land, and efficient transportation infrastructure. While the city is well positioned to benefit from these factors, the pace and extent to which it occurs, particularly in the city's TIF districts, will be an ongoing focus in future credit analysis. City wealth levels slightly exceed state indices, while Washington County's December 2010 unemployment rate of 6.7% is lower than state and national rates of 7.0% and 9.1%, respectively, for the same time period."