

Rock County Officials Looking to Boost the Bond

By [JIM LEUTE \(Contact\)](#) - May 16, 2010

JANESVILLE — Is an investment in Rock County a good bet? Two of the most recognized bond rating firms in the country will put their perspectives on that in coming weeks.

As a municipality, Rock County last week presented its case to Standard & Poor's and Moody's that the county has a stable, growing economy that's highly capable of servicing bond debt. The companies' findings and the ratings they ultimately attach to Rock County are important.

When the county enters the bond market to finance debt, the buyers look at the strength of the issuer. That is, a stable and growing local economy has a stronger likelihood of servicing the bond debt. Similar to a personal or business loan, the bond buyers as lenders need to be assured that their exposure is not only covered but that there's a sufficient level of a return on their investment.

Ratings typically range from AAA, the best, to D, the worst. In 2008, Rock County received an AA rating from S&P. A favorable bond rating means lower interest rates. Lower interest rates mean lower debt service costs for Rock County taxpayers.

While Rock County's economic headlines have been gloomy, there have been rays of sunshine that, particularly when taken in context, county officials say support a favorable bond rating. "The figures are impressive, especially considering the perceived rotten climate that everyone is quick to attribute toward Rock County," said James Otterstein, Rock County's economic development manager and the man who put together the county's bond rating presentation.

Population

With an estimated 160,000 people, Rock County continues to be one of the state's most populous counties. Otterstein said steady to moderate population growth could be attributed to the area's proximity to Madison; Milwaukee; Rockford, Ill.; and Chicago. That favorable geography, they said, couples with a solid transportation network and lower cost of living to stimulate population growth.

Property values

Over time, the total value of all property in the county continues to grow at an annual rate of a little more than 5 percent. Last year's decline of less than 1 percent was the only exception in more than 20 years.

On the residential side, sales of existing homes and their average prices have declined, as they did in most other parts of the country. But they didn't plummet in Rock County, which typically doesn't have the wild highs and lows that other real estate markets experience. Otterstein noted in the presentation that sales for the first quarter of this year are 26 percent ahead of those for the first quarter of last year.

That doesn't mean there aren't challenges, he said. New home building permits are down dramatically, and foreclosure filings have increased significantly. Still, the officials said, the local foreclosure activity is less than that of Dane and Racine counties and about the same as Kenosha County.

Tourism

Rock County ranks in the top 15 Wisconsin counties in terms of tourism spending. Last year, local expenditures were \$216 million, a low point for the decade that saw a high of \$250 million in 2004.

The top 15 counties all experienced drops in tourism spending in 2009. Rock County's drop of 8.85 percent placed it in the middle of declines that ranged from 16.7 percent in Sheboygan County to 1.77 percent in Kenosha County.

Sales tax collections

Generally, sales tax collections are a good indicator of retail sales activity. Rock County is on track to see a 13 percent dip in activities that generate sales taxes in 2010, according to an estimate from Otterstein. Last year, the county received \$9.8 million, the county's 0.5 percent tax generated by sales of nearly \$2 billion.

Even with the expected decline in 2010, local sales tax collections are expected to be 50 percent more than they were in 2007, he said.

The GM factor

The automaker's restructuring and closure of its Janesville assembly plant certainly has affected Rock County, Otterstein said.

In putting it into context for the bond raters, Otterstein said that 30 years ago, 10 percent of the county's workforce and income were tied in one way or another to the local plant. By 2008, that number had declined to about 5 percent, which suggests a more diversified economy. "While one cannot casually nor summarily dismiss GM's impact, it is important to frame up the discussion within the appropriate context," Otterstein said.

Unemployment

The GM situation has had a major impact on Rock County's high unemployment rate. So, too, have declines in unrelated manufacturing operations.

Because of its concentration in manufacturing, Rock County traditionally has higher unemployment rates than state or national averages, Otterstein said. "As the U.S. manufacturing sector adjusted to emerging global market instability and volatility, local employers were faced with difficult cost-controlling decisions," Otterstein said, adding that survival required layoffs, capital investment cutbacks, consolidations or closings.

The upside of the downsizing, he said, is that the county has a ready-to-hire workforce.

Growth opportunities

Between 2008 and this year, the county has seen 28 significant economic development projects that represent more than \$325 million in capital investment and account for about 1.4 million square feet of space. Job growth, past and future, is pegged at 700.

Otterstein said the projects represent a balance of existing company expansions as well as businesses new to the county. They also help diversify the economy, he said, noting that just 11 of the projects were in the manufacturing sector. Six were in health care, five were in logistics and three were office or information technology projects. Three others were build-to-suit real estate projects.

Space available

The recession has given Rock County has an inventory of space for expansions or new businesses, Otterstein said.

The empty GM plant is more than 4 million square feet. In addition, the county has another 4 million square feet of space available. The county has about 900 acres that can be built upon, two-thirds of which soon will carry a "shovel-ready" designation.

Such an inventory gives businesses and developers flexibility that can get them up and running quicker, Otterstein said. The inventory also includes space tailored for growth industries considered somewhat recession-proof: food processing and technology, he said.

The forecast

No longer dominated by a single industry, the county supports an environment that's home to several recognized and diversified companies, many of which are growing, Otterstein said.

And faced with recent economic challenges, a variety of public-private initiatives have formed to move the county forward, he said. Community Organizations Responding to Dislocations and Rock County 5.0 are just two examples, he said.

"Although the development activities will take time to rebound to pre-recession levels, positive marketplace signals exist," he said, noting that the number of projects in the pipeline during the first quarter of this year equals that of 2008 and 2009 combined. "All things considered, albeit bolstered by some strategic and targeted assistance, Rock County's future is looking more favorable each and every quarter."