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For more information:

Rob Henken (414-708-4392)
rhenken@wispolicyforum.org

A Calculated Risk: An Independent Fiscal Analysis of the Village of Mount Pleasant
Study finds financial stability and risk in village where Foxconn development is underway

As local governments across Wisconsin contemplate how the COVID-19 pandemic will continue to affect their finances, a new report from the Wisconsin Policy Forum finds that the village of Mount Pleasant can lean on healthy reserves and relatively steady revenue streams to ease the impacts. However, looming over the village's financial future is considerable debt issued to support the tax incremental district that houses the Foxconn project, which now may be buffered by changing economic circumstances.

"It is certainly good news that Mount Pleasant confronted the onset of the pandemic with healthy reserves and a strong tax base, but it also does so with more than \$200 million in revenue bond debt incurred to support development at the Foxconn site," says the report. "Consequently, the village's future outlook will be impacted by the length and severity of the recession as well as Foxconn's financial health and the continuation of its commitment to the region and state."

The independent, nonpartisan Forum produced the report to give citizens and policymakers a comprehensive, impartial analysis of the fiscal condition of Mount Pleasant's village government. The Johnson Foundation at Wingspread commissioned this research as part of its "Resilient Communities Initiative," and it is the third in a series of local government fiscal analyses in the Greater Racine region.

The report does not attempt to predict or assess how the COVID-19 pandemic will affect Mount Pleasant or the Foxconn project, but should be viewed as a look at village finances at the onset of the crisis.

A once-sleepy village just west of Racine, Mount Pleasant was thrust into the national spotlight with the 2017 announcement that Foxconn, a global electronics manufacturer, would build a massive liquid crystal display production facility there. Three years later, the size of the Foxconn facility has been substantially reduced and its number and types of anticipated jobs have changed, but progress on the project continues. A one-million-square-foot advanced manufacturing facility is near completion at the Mount Pleasant site, with three more buildings soon to be completed.

To date Mount Pleasant has issued \$203 million in revenue bonds to finance land acquisition and infrastructure in a tax incremental district (TID) created to support the Foxconn development. Debt service payments will be made over a 30-year period from the incremental increase in property values within the district that result from the project.

While this substantial amount of debt carries risk for the village and its taxpayers, the report finds key protections in place. Chief among these is an agreement by Foxconn to pay property taxes as if land within Area 1 of the TID has a \$1.4 billion valuation, even if its actual valuation is less. Other protections include the State of Wisconsin's moral obligation pledge to cover 40% of village and Racine County debt in the event that TID revenues are insufficient, as well as anticipated additional private development in the district.

“These protections significantly reduce the village’s risk and – combined with the project’s progress to date – should provide at least some reasonable reassurance to taxpayers,” the report finds.

Looking beyond Foxconn, our analysis finds Mount Pleasant on a largely sound fiscal footing. Its strengths, prior to the onset of the pandemic, included rising property values, increasing net new construction rates, relatively steady general obligation debt payments, and a growing reserve fund balance. Challenges include growing fringe benefit and public safety costs, increasing road repair and improvement needs, and a heavy reliance on a single revenue stream, the property tax.

Furthermore, an analysis using fiscal metrics from the International City/County Management Association, or ICMA, finds the village was “financially secure and at little risk of short-term instability heading into 2020,” according to the report.

The report concludes that it is good news that Mount Pleasant confronts the pandemic’s impacts with largely healthy finances.

Yet, it cautions that prior to the pandemic, “some modest fiscal challenges were beginning to emerge, and the pairing of those challenges with the pandemic’s yet-to-be-determined impacts on property values and new development now casts some uncertainty over the village’s previous positive outlook.”

Go here to read the report.

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