

MOODY'S

INVESTORS SERVICE

Rating Action: **Moody's affirms Madison, WI's Aaa GO; outlook revised to stable**

25 Nov 2019

New York, November 25, 2019 -- Moody's Investors Service affirms the Aaa rating on city of Madison, WI's general obligation unlimited tax (GOULT) debt. Concurrently, we affirm the Aa2 rating on the city's outstanding Madison Community Development Authority, WI's (CDA) lease revenue bonds. The outlook has been revised to stable from negative.

RATINGS RATIONALE

The Aaa GOULT rating reflects the city's sizeable tax base which continues to expand given a strong, diverse economy with significant institutional presence. Also incorporated are the city's healthy operating reserves and liquidity, limited revenue raising flexibility, and high fixed costs.

The Aa2 lease revenue rating is notched twice from the city's GOULT rating, incorporating the risk of annual non-appropriation of lease payments and the less essential nature of the financed projects, which include a convention center and parking facility.

RATING OUTLOOK

The stable outlook reflects our expectation of continued economic and financial stability due to long-standing government and higher education presences within the city, coupled with conservative fiscal management.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Significant contraction of tax base coupled with weakened resident income levels
- Narrowing of operating reserves
- Increased leverage
- Weakened credit profile of the city's utilities
- Downward movement in the city's GO rating (lease only)

LEGAL SECURITY

Debt service on the city's outstanding bonds and notes is secured by its GOULT pledge, which benefits from a designated property tax levy that is unlimited as to rate or amount.

The lease revenue bonds are secured by rental payments to be made by the city to the CDA. Per the lease agreement, the city is required to make semi-annual rental payments sufficient to pay debt service on the outstanding lease revenue bonds, subject to annual appropriation.

USE OF PROCEEDS

Not applicable.

PROFILE

Madison is the state capital of Wisconsin (Aa1 stable) and is home to the flagship campus of the University of Wisconsin. It is the state's second largest city with an estimated population of 255,650.

METHODOLOGY

The principal methodology used in the general obligation ratings was US Local Government General Obligation Debt published in September 2019. The principal methodology used in the lease ratings was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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