

Rating Action: Moody's assigns Aa2 to Madison, WI's sewer revenue bonds; outlook stable

01 Dec 2022

New York, December 01, 2022 -- Moody's Investors Service has assigned a Aa2 rating to the City of Madison, WI's \$14.5 million Sewer System Revenue Bonds, Series 2022-D. We maintain the Aa2 rating on the district's outstanding sewer revenue bonds. Following the sale, the city will have just over \$57 million in sewer revenue debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating reflects the system's stable customer base that includes the Wisconsin (Aa1 stable) state capital and the University of Wisconsin's flagship campus, healthy liquidity and debt service coverage supported by unlimited rate setting authority, and a modest debt profile.

RATING OUTLOOK

The stable outlook reflects our expectation that debt service coverage and available liquidity will remain sound, given the utility's unlimited rate setting authority and a stable customer base anchored by the significant institutional presence provided by the University of Wisconsin and the city's role as the state capital.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Material expansion of the customer base
- Strengthened debt service coverage
- Sustained increases to liquidity

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Contraction of the customer base
- Weakening of system liquidity or debt service coverage
- Significant weakening of the city's or water enterprise's credit profile

LEGAL SECURITY

Debt service on the sewer system's revenue debt is payable from net revenue of the sewer utility.

USE OF PROCEEDS

Proceeds will finance improvements to the city's sewer system.

PROFILE

The utility provides wastewater collection to just under 70,000 customers within the City of Madison (Aaa stable).

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt Methodology published in April 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386721>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections

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