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INVESTORS SERVICE

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

23 Nov 2020

New York, November 23, 2020 -- Moody's Investors Service has assigned a Aa2 rating to the City of Madison, WI Sewer Enterprise's \$17.6 million Sewer System Revenue and Refunding Bonds, Series 2020-D. We maintain the Aa2 rating on the district's outstanding sewer revenue bonds. 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, satisfactory 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 the utility's debt service coverage and available liquidity will remain sound, given its 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 levels

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

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

LEGAL SECURITY

Debt service is secured by a senior lien on the net revenues of the sewer utility.

USE OF PROCEEDS

The proceeds from the 2020-D bonds will be used to finance improvements to the sewer system and refund the Taxable Sewer System Revenue Bonds, Series 2010-F (Build America Bonds - Direct Pay) (maturities 2021-2025). The 2010-F bonds were originally issued to finance improvements to the sewer system, fund a debt service reserve and pay costs of issuance.

PROFILE

The utility provides wastewater collection to 68,843 customers within the City of Madison (Aaa stable).

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in October 2017 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1095545 . Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and

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