

CREDIT OPINION

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City of Fitchburg, WI

Update following upgrade to Aaa

Summary

[The City of Fitchburg](#) (Aaa) maintains a very strong financial position and its adjacency to [Madison](#) (Aaa stable) continues to support strong economic development and tax base growth, somewhat offsetting the city's limited revenue-raising ability. Economic metrics are sound, and both the long-term liabilities and fixed-cost ratios will remain relatively low following an upcoming borrowing.

On May 23, 2024 we upgraded the city's issuer and general obligation unlimited tax (GOULT) ratings to Aaa from Aa1.

Credit strengths

- » Robust financial position
- » Relatively low long-term liabilities ratio and modest fixed-cost ratio

Credit challenges

- » Growth in property tax revenue constrained by strict state-imposed revenue limits

Rating outlook

Moody's does not assign outlooks to local governments with this amount of debt.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Significant and sustained declines in the available fund balance and liquidity ratios to levels below 50%
- » Increased long-term liabilities ratio to levels nearing 250%

Key indicators

Exhibit 1

Fitchburg (City of) WI

	2020	2021	2022	2023	Aaa Medians
Economy					
Resident income ratio (%)	122.4%	117.4%	121.8%	N/A	170.6%
Full Value (\$000)	\$3,706,379	\$4,100,344	\$4,668,213	\$5,733,042	\$8,680,662
Population	30,032	29,361	29,826	N/A	36,119
Full value per capita (\$)	\$123,414	\$139,653	\$156,515	N/A	N/A
Annual Growth in Real GDP	-2.4%	5.4%	1.8%	N/A	4.9%
Financial Performance					
Revenue (\$000)	\$50,292	\$63,687	\$63,109	\$71,078	\$101,733
Available fund balance (\$000)	\$26,589	\$29,998	\$40,987	\$50,806	\$62,520
Net unrestricted cash (\$000)	\$65,355	\$74,818	\$94,124	\$90,877	\$88,880
Available fund balance ratio (%)	52.9%	47.1%	64.9%	71.5%	61.7%
Liquidity ratio (%)	130.0%	117.5%	149.1%	127.9%	91.1%
Leverage					
Debt (\$000)	\$65,051	\$70,572	\$64,887	\$58,443	\$68,781
Adjusted net pension liabilities (\$000)	\$46,035	\$59,390	\$56,664	\$28,711	\$105,726
Adjusted net OPEB liabilities (\$000)	\$0	\$0	\$0	\$0	\$11,674
Other long-term liabilities (\$000)	\$3,013	\$3,136	\$3,138	\$3,377	\$3,903
Long-term liabilities ratio (%)	226.9%	209.0%	197.6%	127.4%	258.2%
Fixed costs					
Implied debt service (\$000)	\$3,564	\$4,658	\$4,950	\$4,532	\$4,899
Pension tread water contribution (\$000)	\$676	\$495	\$554	N/A	\$3,333
OPEB contributions (\$000)	\$0	\$0	\$0	\$0	\$503
Implied cost of other long-term liabilities (\$000)	\$196	\$216	\$220	\$219	\$262
Fixed-costs ratio (%)	8.8%	8.4%	9.1%	7.5%	11.2%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#). The real GDP annual growth metric cited above is for the Madison, WI Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, Fitchburg (City of) WI's financial statements and Moody's Ratings

Profile

The City of Fitchburg encompasses 35 square miles in [Dane County](#) (Aa1 stable), adjacent to the City of Madison. It provides comprehensive municipal services, including public safety, public works and municipal utilities, to over 30,000 residents.

Detailed credit considerations

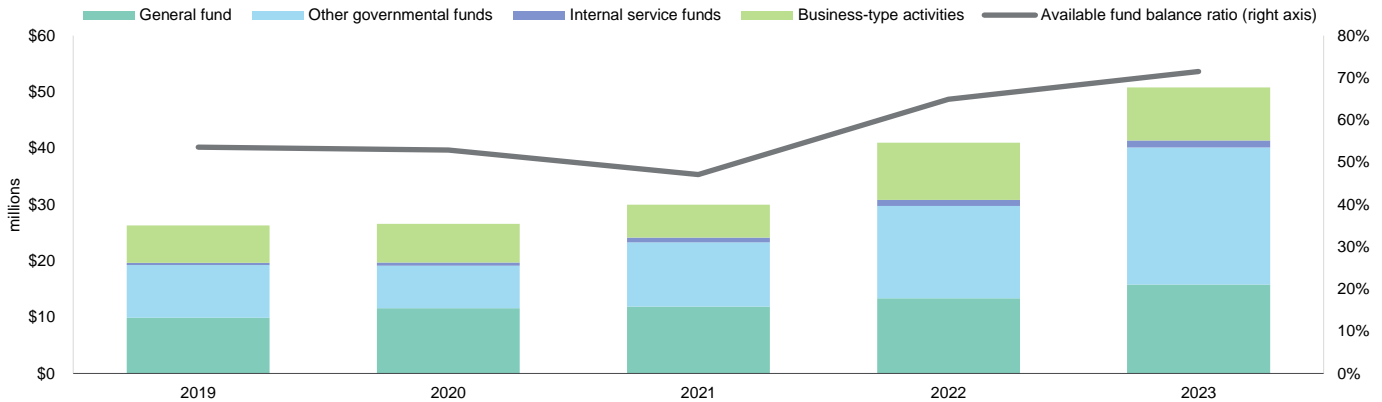
The City of Fitchburg is one of the fastest growing communities in Wisconsin. Between 2012 and 2022, the population¹ grew over 18%, significantly higher than the state's population growth of 3.4% during the same period. Fitchburg absorbed a portion of the Town of Madison in late 2022, adding about 1,400 additional residents and over \$150 million in assessed value. Residents benefit from employment opportunities throughout the Madison metropolitan area and the city's major employers exist in the biotechnology, manufacturing, information technology, medical instrumentation, plastics and agriculture sectors. Locally, the largest employers include the global headquarters of Sub-Zero Group Inc. (appliance manufacturer; about 1,500 employees) and Promega Corp. (pharmaceutical research; about 1,040 employees).

The city's available fund balance and liquidity ratios exceed the median for Aaa rated peers and will likely remain very strong, supported by increasing property tax revenue and proactive budget management. The fiscal 2024 budget reflects a \$4.4 million planned use of general fund balance, driven by equipment replacements and a \$3.1 million transfer to the capital replacement fund. This is in line with the city's historical practice of transferring unassigned fund balance in excess of its fund balance policy to capital project funds to support capital purchases. Roughly 15% of the city's revenue comes from enterprise operations, which consist of water, sewer and stormwater utilities. Fitchburg is in the process of issuing \$9 million of GOULT debt for fire engine purchases, road improvements, and

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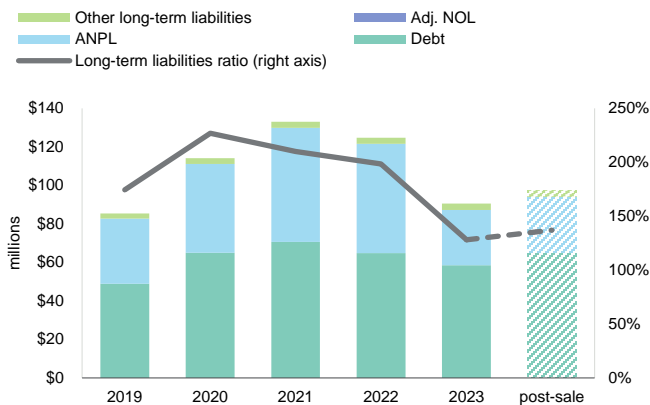
to begin construction of a new police facility. Following the upcoming issuance, the long-term liabilities ratio will be slightly under 140% and the fixed-costs ratio will continue to be less than 10% of revenue, which is modest. The city plans to issue roughly \$32 million of GOULT debt in fiscal 2025, with about \$25 million going towards completion of the new police facility. Despite the planned borrowing, leverage will likely remain under 200%.

Exhibit 2
Operating reserves



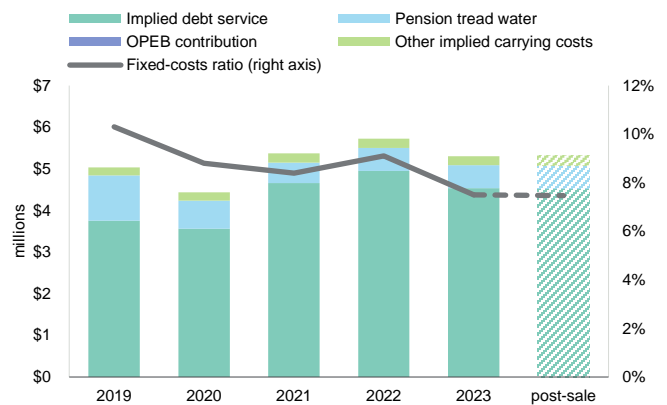
Sources: Fitchburg (City of) WI's financial statements and Moody's Ratings

Exhibit 3
Leverage



Source: Moody's Ratings

Exhibit 4
Fixed costs



Source: Moody's Ratings

ESG considerations

Environmental

Environmental risk is generally low for the local government sector and does not factor materially into the city's credit profile. Currently, there are no discernable credit challenges for the city related to environmental, climate, or weather related impacts.

Social

Social considerations that factor into the city's credit profile include its demographic and socioeconomic characteristics.

Governance

Governance is a key credit consideration for all local government issuers. City management is strong, utilizing formal financial policies and multiyear capital plans. The formal fund balance policy is to maintain unassigned general fund reserves of between 15% and 25% of annual revenue plus the amount of state shared revenue received during the previous year. The city maintains a ten-year capital plan and has a practice of cash financing projects under \$500,000.

The city's largest revenue source is property taxes, which are subject to a cap that limits increases to the growth in net new construction. Fitchburg, like many Wisconsin cities, uses tax increment districts to attract economic development. While tax increment districts are ultimately expected to generate revenue sufficient to cover initial city outlay, cities are exposed to economic downturns which could halt development.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 5

Fitchburg (City of) WI

	Measure	Weight	Score
Economy			
Resident income ratio	121.8%	10.0%	Aaa
Full value per capita	192,216	10.0%	Aaa
Economic growth metric	0.1%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	71.5%	20.0%	Aaa
Liquidity ratio	127.9%	10.0%	Aaa
Institutional Framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio	127.4%	20.0%	Aa
Fixed-costs ratio	7.5%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			Aaa

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Madison, WI Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Fitchburg (City of) WI's financial statements and Moody's Ratings

Appendix

Exhibit 6

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

Endnotes

1 Based on most recently available data from the US Census Bureau - American Community Survey 5-Year Estimates.

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