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ISSUER COMMENT
20 September 2018

RATING

General Obligation (or GO Related) [1]	
Aa1	No Outlook

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City of Fitchburg, WI

Annual Comment on Fitchburg

Issuer Profile

The City of Fitchburg is located in Dane County and adjacent to the City of Madison, WI. The county has a population of 516,818 and a moderate population density of 430 people per square mile. The county's median family income is $87,373 (1st quartile) and the May 2018 unemployment rate was 2% (1st quartile) [2]. The largest industry sectors that drive the local economy are state government, health services, and retail trade.

Credit Overview

Fitchburg's credit position is strong. Its Aa1 rating is higher than the median rating of Aa3 for US cities. The notable credit factors include a favorable financial position, a strong wealth and income profile, a healthy tax base and moderate debt and pension liabilities.

Finances: Fitchburg has a favorable financial position, which is slightly unfavorable in relation to the assigned rating of Aa1. The city's cash balance as a percent of operating revenues (31%) is a little weaker than the US median. In addition, the fund balance as a percent of operating revenues (29.5%) is on par with the US median.

Economy and Tax Base: Fitchburg's economy and tax base are strong and are somewhat comparable with the assigned rating of Aa1. The full value per capita ($105,742) is stronger than the US median. Also, the median family income is a healthy 113.3% of the US level. Lastly, the city's total full value ($3 billion) is slightly above other cities we rate nationwide.

Debt and Pensions: The debt and pension liabilities of Fitchburg are moderate overall and are weak in relation to its Aa1 rating. The net direct debt to full value (1.7%) exceeds the US median. In addition, the Moody's-adjusted net pension liability to operating revenues (1.1x) is slightly under the US median.

Management and Governance: Wisconsin cities have an Institutional Framework score [3] of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue source, property tax revenue, is subject to a cap that restricts cities from increasing their operating property tax levies except to capture amounts represented by net new construction growth. Revenues and expenditures tend to be predictable. Across the sector, fixed and mandated costs are generally high. Expenditures are somewhat flexible, as collective bargaining is allowed for public safety employees but is curbed for non-public safety employees.

Sector Trends - Wisconsin Cities

Wisconsin cities will continue to benefit from an improving state economy. The overall economy continues to experience steady growth but remains dependent on manufacturing. Property tax revenues will remain stable or will slightly improve due to increased construction activity and development within tax increment districts. Most Wisconsin cities participate in the Wisconsin Retirement System, which continues to be relatively well-funded. Overall, fixed costs are manageable and not a pressure for cities.

EXHIBIT 1

Key Indicators [4] [5] Fitchburg

	2013	2014	2015	2016	2017	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	$2,503M	$2,623M	$2,711M	$2,830M	$2,954M	$1,867M	Improved
Full Value Per Capita	$97,727	$100,728	$103,013	$102,430	$105,742	$89,200	Improved
Median Family Income (% of US Median)	113%	113%	113%	113%	113%	113%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	26.3%	28.4%	31.4%	30.6%	29.5%	33.9%	Stable
Net Cash Balance as % of Operating Revenues	23.9%	11.9%	30.6%	31.7%	31.0%	36.9%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.6%	1.4%	1.5%	1.7%	1.7%	1.1%	Stable
Net Direct Debt / Operating Revenues	1.82x	1.54x	1.69x	1.87x	1.98x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.3%	0.5%	0.6%	0.9%	0.9%	1.8%	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.37x	0.50x	0.68x	0.96x	1.06x	1.51x	Weakened

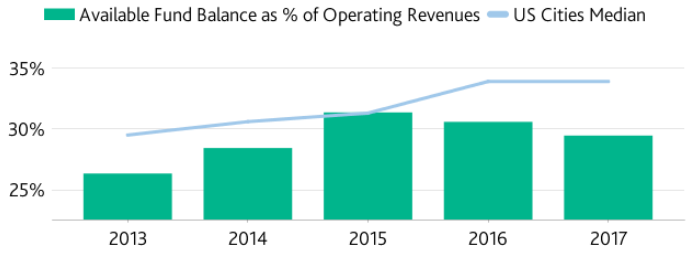
	2013	2014	2015	2016	2017	US Median
Debt and Financial Data						
Population	25,620	26,050	26,321	27,635	27,936	N/A
Available Fund Balance ($000s)	$5,914	$6,902	$7,790	$7,739	$7,649	$7,419
Net Cash Balance ($000s)	$5,361	$2,892	$7,610	$8,017	$8,039	$8,404
Operating Revenues ($000s)	$22,455	$24,277	$24,842	$25,307	$25,969	$21,930
Net Direct Debt ($000s)	$40,932	$37,362	$41,955	$47,245	$51,425	$18,580
Moody's Adjusted Net Pension Liability (3-yr average) ($000s)	$8,293	$12,061	$16,894	$24,277	$27,525	$32,507

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

EXHIBIT 2

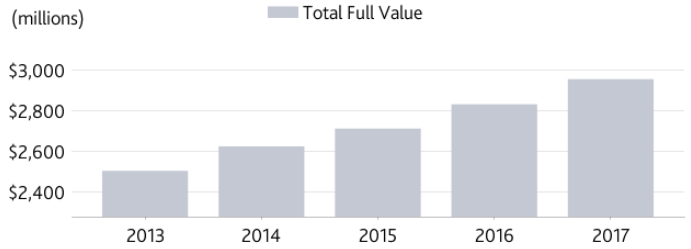
Available fund balance as a percent of operating revenues increased from 2013 to 2017



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

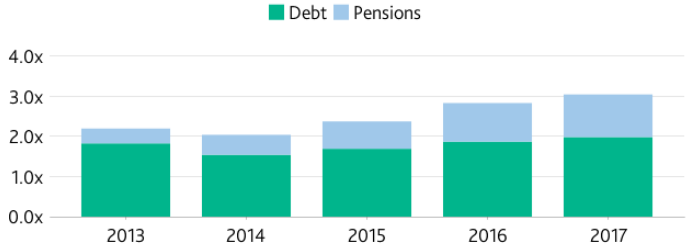
Full value of the property tax base increased from 2013 to 2017



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2013 to 2017



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.

2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.

3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See US Local Government General Obligation Debt (December 2016) methodology report for more details.

4 For definitions of the metrics in the Key Indicators Table, US Local Government General Obligation Methodology and Scorecard User Guide (July 2014) . Metrics represented as N/A indicate the data were not available at the time of publication.

5 The medians come from our most recently published local government medians report, Medians - Property values key to stability, but pension burdens remain a challenge (March 2018) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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