

# RatingsDirect®

---

## Summary:

# Dane County, Wisconsin; General Obligation

### Primary Credit Analyst:

Ying Huang, San Francisco + 1 (415) 371 5008; ying.huang@spglobal.com

### Secondary Contact:

Emma Drilias, Madison (1) 312-233-7132; emma.drilias@spglobal.com

## Table Of Contents

---

Credit Highlights

Outlook

Related Research

## Summary:

# Dane County, Wisconsin; General Obligation

### Credit Profile

US\$144.61 mil GO prom nts ser 2024A due 06/01/2044

*Long Term Rating* AAA/Stable New

US\$22.085 mil taxable GO prom nts ser 2024B due 06/01/2034

*Long Term Rating* AAA/Stable New

### Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Dane County, Wis.' roughly \$144.61 million series 2024A general obligation (GO) promissory notes, and roughly \$22.085 million series 2024B taxable GO promissory notes.
- The outlook is stable.

### Security

The county's full-faith-and-credit GO pledge secures the series 2024A and 2024B obligations.

Officials intend to use the bond proceeds to fund various capital improvement plan projects.

### Credit overview

In our view, the rating reflects the county's robust and still growing economy, consistently positive operations in the last few years despite strategic drawdowns in fiscal 2023 and anticipated for fiscal 2024, and very strong reserves that are likely to be sustained. Home to the state capital of Madison and the University of Wisconsin's flagship campus, Dane County's economy is broad and diverse. Although state statute caps the county's annual property tax operating levy and sales tax, management has built and maintained, what we consider, very strong reserves thanks to a careful alignment of budgeted expenditures with revenue growth. Following consecutive positive operations in the last few years, the county strategically drew down \$23 million on general fund reserves in fiscal 2023, largely due to significant increase in transfers to the human service fund and slowing growth in sales tax revenue. To move closer to the county's fund balance target of 10% of expenditures in the combined general and human services funds, management plans to draw down another \$17 million in fiscal 2024, although we expect the reserves will remain very strong in the near term. The county has routine debt plans to cover capital costs annually; however, debt schedules show it will maintain rapid amortization, keeping debt manageable.

The rating reflects our opinion of the county's:

- Resilient and growing economy due to the state capital's and the University of Wisconsin's anchoring presence,
- Very strong reserves supported by consistent healthy operating performance in the past few years,
- Strong management, with standard financial policies and practices under our Financial Management Assessment methodology, demonstrated by quarterly budget-to-actual reporting to the finance committee; five-year general

fund revenue and expenditures projections after the budget year with annual updates; multiyear capital plans for the airport, highways, and certain other departments; a formal investment management policy; and a formal fund balance policy that targets maintaining combined general and human services fund balances at 10% of expenditures or higher; but lack of a debt management policy; and a strong institutional framework score; and

- Adequate debt and pension profile with a somewhat above-average debt burden offset by rapid amortization, and participation in a well-funded state pension plan.

**Environmental, social, and governance**

We have analyzed the county's environmental, social, and governance (ESG) risks relative to its economy, management, financial measures, and debt and liability profile; we view them all as neutral in our credit analysis. Despite of the presence of lakes within the county, management acknowledges that the county has not been materially affected by flooding in the last 10 years.

**Rating above the sovereign**

Dane County's bonds are eligible to be rated above the sovereign because we think the county can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions" published Nov. 19, 2013, on RatingsDirect, we consider U.S. state and local governments as having moderate sensitivity to national risk. The county's local property tax revenue is the sole source of bond and note security. The Institutional Framework in the U.S. is predictable with state and local governments having significant autonomy, independent treasury management, and no history of federal government intervention. The county demonstrates financial flexibility through, what we consider, very strong liquidity and primarily locally sourced operating revenue. (For more information on Dane County, see the article published Aug. 31, 2023.)

**Outlook**

The stable outlook reflects S&P Global Ratings' expectation the county will likely maintain structurally balanced operations (if excluding one-time strategic reserve drawdown) and very strong reserves. In addition, we view other credit factors as stable and unlikely to materially change within the two-year outlook period.

**Downside scenario**

While not expected, we could lower the rating if there is a trend of structural imbalance, causing budgetary flexibility to deteriorate materially.

| Dane County, Wisconsin--key credit metrics |             |                        |         |         |
|--|-------------|------------------------|---------|---------|
|  | Most recent | Historical information |         |         |
|  |             | 2023                   | 2022    | 2021    |
| <b>Very strong economy</b>                 |             |                        |         |         |
| Projected per capita EBI % of U.S.         | 119         |                        |         |         |
| Market value per capita (\$)               | 187,516     |                        |         |         |
| Population                                 |             | 573,311                | 567,224 | 555,017 |

## Dane County, Wisconsin--key credit metrics (cont.)

|   | Most recent | Historical information |            |            |
|---|-------------|------------------------|------------|------------|
|   |             | 2023                   | 2022       | 2021       |
| <b>County unemployment rate (%)</b>                               |             |                        |            |            |
| Market value (\$000s)   | 107,504,867 | 99,140,492             | 88,733,525 | 76,889,801 |
| Ten largest taxpayers % of taxable value                          | 2.4         |                        |            |            |
| <b>Very strong budgetary performance</b>                          |             |                        |            |            |
| Operating fund result % of expenditures                           |             | (2.8)                  | 7.7        | 0.5        |
| Total governmental fund result % of expenditures                  |             | 23.7                   | 4.7        | 1.5        |
| <b>Very strong budgetary flexibility</b>                          |             |                        |            |            |
| Available reserves % of operating expenditures                    |             | 23.1                   | 30.2       | 20.8       |
| Total available reserves (\$000s)                                 |             | 79,234                 | 88,954     | 64,022     |
| <b>Very strong liquidity</b>                                      |             |                        |            |            |
| Total government cash % of governmental fund expenditures         |             | 52                     | 47         | 31         |
| Total government cash % of governmental fund debt service         |             | 378                    | 521        | 374        |
| <b>Strong management</b>  |             |                        |            |            |
| Financial Management Assessment                                   | Standard    |                        |            |            |
| <b>Adequate debt and long-term liabilities</b>                    |             |                        |            |            |
| Debt service % of governmental fund expenditures                  |             | 13.8                   | 9.1        | 8.2        |
| Net direct debt % of governmental fund revenue                    | 102         |                        |            |            |
| Overall net debt % of market value                                | 3.4         |                        |            |            |
| Direct debt 10-year amortization (%)                              | 79          |                        |            |            |
| Required pension contribution % of governmental fund expenditures |             | 2.2                    |            |            |
| OPEB actual contribution % of governmental fund expenditures      |             | 0.0                    |            |            |
| <b>Strong institutional framework</b>                             |             |                        |            |            |

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

## Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2023 Update Of Institutional Framework For U.S. Local Governments

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.