

Rating Action: Moody's assigns Aa3 to Baxter, MN's GO bonds

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New York, November 17, 2020 -- Moody's Investors Service has assigned a Aa3 rating to the City of Baxter, MN's \$6.1 million General Obligation Improvement Bonds, Series 2020. Moody's maintains the Aa3 on the city's outstanding general obligation unlimited tax (GOULT) debt.

RATINGS RATIONALE

The Aa3 rating reflects the city's very healthy reserves, a moderately sized yet growing tax base, solid wealth and average resident incomes. The rating also incorporates the city's elevated debt and moderate pension burdens, and economic concentration in retail. The city's healthy reserves serve as an important mitigant as the city navigates the impacts of the coronavirus.

RATING OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Material moderation of the debt burden
- Significant growth diversification in the tax base and economy

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Increase in leverage
- Deterioration of the tax base or resident incomes
- Material decline in reserves

LEGAL SECURITY

The bonds are valid and binding general obligations of the city with payments payable primarily from special assessments levied or to be levied on property specially benefited by local improvements and ad valorem taxes, but if necessary for the payment of the bonds, additional ad valorem taxes are required by law to be levied on all taxable property of the city, which taxes are not subject to any limitation as to rate or amount.

USE OF PROCEEDS

Proceeds will finance various street and utility improvements within the city.

PROFILE

The City of Baxter is located in Crow Wing County in central Minnesota (Aa1 stable) 125 miles northwest of Minneapolis (Aa1 stable). The city is home to approximately 8,100 residents as of 2018 and encompasses approximately 20 square miles, of which 45% is developed.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in July 2020 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. 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 Definitions can be found at: https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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