

Rating Action: Moody's assigns Aa1 to Arlington, TX's Municipal Drainage Utility System Rev. Bonds; outlook stable

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New York, April 27, 2022 -- Moody's Investors Service has assigned a Aa1 rating to the City of Arlington, TX's \$9.0 million Municipal Drainage Utility System Revenue Bonds, Series 2022. Moody's maintains the Aa1 rating on the drainage system's outstanding parity debt. After the sale the system will have \$58 million of outstanding parity debt. The outlook is stable.

RATINGS RATIONALE

The Aa1 rating incorporates the system's large and diverse service area and limited operations, which is typical for stormwater systems. The rating also reflects the system's sound liquidity, healthy debt service coverage despite recent declines, and a growing but manageable debt profile supported by adequate legal provisions protecting bondholders.

RATING OUTLOOK

The stable outlook reflects the expectation that the system will continue to be conservatively managed and unrestricted liquidity will remain stable. Further, the debt profile will grow but remain manageable and the system will likely need continued rate increases to support the 10 year capital plan.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Reduction in the debt to operating revenue ratio
- Strengthening of the legal structure

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Continued trend of narrowing debt service coverage
- Material decrease in unrestricted and/or available reserves

LEGAL SECURITY

The bonds are payable from a first lien on the gross revenues of the drainage system.

USE OF PROCEEDS

The bonds will make improvements to the drainage system.

PROFILE

Arlington is in the center of the Dallas (A1 stable)/Fort Worth (Aa3 stable) Metroplex. The city encompasses 99.5 square miles and has a current population of approximately 397,000. The city operates its municipal drainage system as a self-supporting enterprise fund. The drainage utility was established in August of 1990 to protect the public health and safety from loss of life and property caused by surface water overflows and surface water stagnation.

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt Methodology published in April 2022 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1312726. 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.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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