

**Rating Action: Moody's assigns Aa2 to The Colony, TX's GOLT bonds**

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06 May 2022

New York, May 06, 2022 -- Moody's Investors Service has assigned a Aa2 rating to the City of The Colony, TX's \$21.6 million Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022. Moody's maintains the Aa2 issuer rating and Aa2 general obligation limited tax (GOLT) rating on \$114.2 million in outstanding parity obligations.

**RATINGS RATIONALE**

The city's Aa2 issuer rating reflects a multi-year trend of significant tax base growth coupled with positive financial performance and maintenance of healthy operating reserves. The rating also considers the city's above-average resident income indices, and manageable fixed costs comprised of an average pension burden and somewhat elevated debt burden relative to other highly rated issuers.

The Aa2 GOLT rating is the same as the Moody's issuer rating reflecting the city's substantial taxing headroom, which offsets the lack of full faith and credit pledge and inability of the city council to override the statutory limitation. When comparing the present levy to maximum annual debt service, the city has over nine times headroom under the applicable rate cap.

**RATING OUTLOOK**

Moody's does not generally assign outlooks to local government issuers with this amount of debt outstanding.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Continued rapid tax base expansion
- Sustained decrease in the debt burden

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- Material tax base declines
- Significant reduction in financial reserves, particularly if caused by a sustained operating imbalance

**LEGAL SECURITY**

The certificates are payable from the proceeds of an ad valorem tax levied on all taxable property within the city, subject to the rate limitation imposed by state law. The certificates are additionally payable from a limited pledge (not to exceed \$1,000) of the net surplus revenues of the city's water/sewer system.

**USE OF PROCEEDS**

Certificate proceeds will be used to make a wide variety of improvements, including streets, parks, technology, and utility needs.

**PROFILE**

The City of The Colony is in Denton County (Aaa stable), 25 miles southeast of the City of Denton. The city is a residential community with a 2022 estimated population of 55,000 residents.

**METHODOLOGY**

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260094](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.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](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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