



Rating Action: Moody's assigns Aa1 to Arlington, TX's GOLT bonds; outlook stable

12 May 2023

New York, May 12, 2023 – Moody's Investors Service has assigned Aa1 ratings to the City of Arlington, TX's estimated \$56.1 million Permanent Improvement Bonds, Series 2023A and estimated \$25.8 million Permanent Improvement Refunding Bonds, Series 2023B. Moody's maintains the city's Aa1 issuer rating and the Aa1 rating on the city's outstanding general obligation limited tax (GOLT) bonds. After the sale the city will have \$692 million of outstanding GOLT debt. The outlook is stable.

RATINGS RATIONALE

The Aa1 issuer rating reflects the city's growing economy bolstered by the institutional presence of the University of Texas at Arlington (University of Texas System rated Aaa stable), and below median resident income and full value per capita ratios that are impacted by the university. The rating further incorporates strong management and historically stable financial operations with healthy operating reserves. The rating also reflects the city's elevated and growing long-term liabilities and fixed costs ratios.

The lack of rating distinction between the Aa1 issuer rating and the Aa1 GOLT rating reflects the ample taxing headroom under the limited tax cap, offsetting the lack of a full faith and credit pledge and the inability for the city to increase the rate above the cap.

RATING OUTLOOK

The stable outlook reflects the expectation that finances will continue to be conservatively managed leading to stable reserves, and that the tax base will continue to grow because of a strong economy that is driving new residential development. The outlook also reflects the expectation that the leverage ratios will remain moderately elevated but manageable because of revenue growth.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Significant improvement in resident income and full value per capita
- Material growth in the available fund balance and liquidity ratios
- Material decline in the long-term liabilities and fixed costs ratios

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Economic contraction and or declines in resident income or full value per capita
- Imbalanced operations leading to declines in the available fund balance and liquidity ratios
- Material growth in the long-term liabilities and fixed costs ratios

LEGAL SECURITY

The bonds constitute direct and general obligations of the city, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the city.

USE OF PROCEEDS

The Series 2023A bonds will finance various capital improvements throughout the city.

The Series 2023B bonds will refund a portion of the Permanent Improvement and Refunding Bonds, Series 2012A, the Permanent Improvement Refunding Bonds, Series 2012B, and Permanent Improvement Bonds, Series 2013A for net present value savings and no extension of final maturity.

PROFILE

The City of Arlington, TX 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 provides services such as public safety (police and fire), streets, water treatment and distribution, wastewater collection and conveyance (treatment is done by the Trinity River Authority), parks and recreation, and public health services.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Heather Guss
Lead Analyst
REGIONAL_SOUTHWEST
Moody's Investors Service, Inc.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

John Nichols
Additional Contact
REGIONAL_SOUTHWEST
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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