

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades Center (City of) TX's issuer and GOLT rating to A1, assigns A1 to GOLT Series 2024

12 Sep 2024

New York, September 12, 2024 -- Moody's Ratings (Moody's) has upgraded the City of Center, TX's issuer and general obligation limited tax (GOLT) ratings to A1 from A2. We have also assigned an A1 to the city's proposed \$6 million Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2024. Post sale, the city will have approximately \$17.9 million in debt outstanding.

The upgrade reflects continued economic activity supporting stable operating results.

RATINGS RATIONALE

The upgrade to A1 reflects the city's consistently healthy financial profile with solid reserves and liquidity that stood at 39% and 49% of revenues at fiscal year-end 2023 (September 30 year-end), respectively. The city's economy has a positive economic growth of 2.4% as measured by the five year change in real GDP supported by recent industrial expansion although the economy remains limited. Resident income and full value per capita are below the median. Given the nature of local economy, the city's economic growth is expected to be modest. Long-term liabilities and fixed costs of 193% and 9.6% respectively of revenue, are low and are expected to remain so given limited future debt issuance in the near term.

The lack of distinction between the A1 rating on the GOLT debt and the A1 issuer rating is based on the city's ample taxing headroom.

RATING OUTLOOK

We do not assign outlooks to local government issuer with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Expansion and diversification of the economy and tax base

- Moderation of long term liabilities to below 100%
- Stronger resident income with levels at least equal to or greater than 100%

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Contraction of the local economy or tax base
- Weakened financial position resulting in reduction in available fund balance and liquidity to well below 35% of revenue
- Material increase in long-term liabilities or fixed costs ratios

LEGAL SECURITY

The certificates are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law and a limited pledge of \$1,000 of the net revenues of the City's combined waterworks and sewer system.

USE OF PROCEEDS

Proceeds from the bonds will be used for the city's water and sewer system improvements.

PROFILE

The City of Center is the county seat and commercial center of Shelby County, TX, located approximately 65 miles southwest of Shreveport, LA (Baa1 negative) and 30 miles northeast of the City of Nacogdoches, TX (Aa3).

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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