

Rating Action: Moody's affirms Aaa on Town of Addison, TX's issuer and GOLT; outlook stable

16 Jul 2020

Assigns Aaa to two new GOLT sales

New York, July 16, 2020 -- Moody's Investors Service has affirmed the Aaa rating on the Town of Addison, TX's issuer and general obligation limited tax (GOLT) ratings. Moody's has also assigned a Aaa rating to the town's \$14.2 million General Obligation Bonds, Series 2020 and \$13.3 million General Obligation Refunding Bonds, Taxable Series 2020. Post-sale, the town will have \$118.7 million in GOLT debt. The outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating is anchored by a regionally significant economy, north of the City of Dallas (A1 stable) with a moderately sized tax base and solid financial operations and reserves boosted by additional and available liquidity outside the main operating fund. The town's ample reserves will remain despite the currently weaker economic and financial climate, supported by an adept management team that uses conservative practices to guide budget planning and execution. Additional considerations include income levels that surpass the nation, a slightly elevated but affordable debt profile and a manageable unfunded pension liability.

The Aaa GOLT rating is the same as the Moody's issuer rating reflecting the town's taxing headroom under the limited tax cap that provides over 600% headroom, offsetting the lack of a full faith and credit pledge and inability of council to override the statutory limitation.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for the Town of Addison, TX. Despite its exposure to a high concentration of commercial property and sales taxes, the town has ample reserves and liquidity and the ability to make expenditure reductions to match revenue shortfalls. However, the situation surrounding coronavirus is rapidly evolving and the longer-term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Addison changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The stable outlook reflects the strength of the management team with budget reductions that will allow for structurally balanced operations to persist even during the currently softer economic and financial cycle. These practices, supported by a stable economy, solid liquidity position and conservative expectations for the fiscal 2021 budget per the current plan will allow the credit profile to remain stable over the next 18 to 24 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Reduction in reserve levels
- Significant economic decline
- Sizeable debt issuance absent corresponding tax base growth

LEGAL SECURITY

The bonds are secured by a direct and continuing annual ad valorem tax, levied on all taxable property within the limits prescribed by law.

USE OF PROCEEDS

Proceeds from the Series 2020 bonds will be used for citywide capital needs including constructing and improving Keller Springs Road and Airport Parkway, Addison Athletic Club needs, and various other town needs.

Proceeds from the taxable Series 2020 refunding bonds will be used to refund certain maturities of the town's existing debt for an expected net present value savings and no extension of final maturity.

PROFILE

The Town of Addison is 12 miles north of downtown Dallas in Dallas County (Aaa stable). The town is home to several office spaces and the economy sees a high concentration of profession jobs with daytime population well over 3 times the nighttime population. The current population estimate is 15,600.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in September 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1191097. Alternatively, please see the Rating Methodologies page on 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.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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