Moody's Investors Service

Rating Action: Moody's assigns Aa2 ratings to Waterloo, IA's GO bonds

29 May 2020

New York, May 29, 2020 -- Moody's Investors Service has assigned Aa2 ratings to the city of Waterloo, IA's $7 million General Obligation Bonds, Series 2020A and $8.2 million Taxable General Obligation Bonds, Series 2020B. Moody's maintains the Aa2 rating on the city's outstanding general obligation unlimited tax (GOULT) debt. Following the sale the city will have $100 million in rated GOULT debt.

RATINGS RATIONALE

The Aa2 rating reflects the city's large tax base with below average wealth and income compared to similarly rated peers, a strong and stable financial position, above average debt and pension burdens and elevated fixed costs.

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 Waterloo. 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 the city changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

Moody's does not typically assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Reduction in city's debt and pension burdens
- Significant and sustained improvement in reserves
- Expansion of city's the tax base and strengthening in resident and incomes

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Growth in the city's debt and pension burden
- Declines in financial reserves
- Contraction of the city's tax base or weakening of resident incomes

LEGAL SECURITY

The city's outstanding GOULT debt, including the Series 2020A and 2020B bonds, is secured by a dedicated property tax levy that is unlimited as to rate or amount to pay debt service.

USE OF PROCEEDS

The Series 2020A and 2020B bonds will finance a variety of infrastructure projects, economic development and technology and facility upgrades, as well as refund the Series 2012C bonds.

PROFILE

The City of Waterloo is located in northeastern Iowa, approximately 50 miles northwest of Cedar Rapids (Aa1 stable). The city provides municipal services to a population of approximately 68,000 residents and is the county seat of Black Hawk County (Aa2).

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published

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.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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