

Rating Action: Moody's assigns Aa3 to Pleasant Hill, IA's GOULT Bonds, Series 2020

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New York, July 07, 2020 -- Moody's Investors Service assigns a Aa3 rating to the City of Pleasant Hill, IA's \$7.9 million General Obligation Urban Renewal Corporate Purpose Bonds, Series 2020. Moody's maintains a Aa3 rating on the city's previously issued general obligation unlimited tax (GOULT) bonds. Following the sale, the city will have \$29 million of GOULT debt outstanding.

RATINGS RATIONALE

The city's GOULT rating is Aa3 because of its very strong operating fund balance and liquidity and its economic ties to the Des Moines metropolitan area, which support its population growth and comparatively high resident income levels. The tax base size is moderate and growing. Taxpayer concentration is high, however, because of the presence of large energy storage facilities. Total leverage from pensions, debt and OPEB is above average and primarily driven by fixed-rate debt issued to meet the demands of the city's growing population. The pension burden from its participation in a statewide pension plan is only moderate and retiree healthcare is modest.

The coronavirus outbreak is 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. Pleasant Hill is not materially reliant on economically sensitive revenues such as sales or income taxes to fund its operating budget. Its operating budget is primarily supported by stable and predictable property taxes. Therefore, we do not see any material immediate credit risks for Pleasant Hill, IA. 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 Pleasant Hill, IA changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

Outlooks are not typically assigned to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Reduction in debt burden
- Economic expansion that drives tax base expansion and moderates the city's taxpayer concentration

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Significant and sustained reduction in operating revenues or liquidity
- Substantial increase in debt or pension burdens

LEGAL SECURITY

The Series 2020 bonds are secured by the city's GOULT pledge and authorization to levy a dedicated property tax, unlimited as to rate or amount, to pay debt service. While the Series 2020 bonds are secured by the city's GOULT pledge, the city intends to use a portion of tax increment revenues from the city's Pleasant Hill Urban Renewal Area.

USE OF PROCEEDS

The Series 2020 bonds will finance street, sidewalk, water and sanitary sewer, storm drainage and other improvements within the city's Pleasant Hill Urban Renewal Area.

PROFILE

Pleasant Hill is located in central Iowa (Aaa stable) adjacent to the City of Des Moines (Aa2 stable). The city provides general governmental services including: public safety (police and fire), recreation, sewer (collection only), water (distribution only), storm water, and solid waste service. The city's population is currently estimated at 9,700 residents.

METHODOLOGY

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

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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.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

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