

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aaa to City of Coppel TX's GOLT Series 2024

27 Jun 2024

New York, June 27, 2024 -- Moody's Ratings (Moody's) has assigned a Aaa rating to the City of Coppel approximately \$49.81 million Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024. Moody's Ratings maintains the Aaa issuer and Aaa general obligation limited tax (GOLT) ratings on the city's previously issued debt. After the sale, the city will have roughly \$145 million outstanding GOLT debt.

RATINGS RATIONALE

The Aaa issuer rating reflects a large and expanding economy supported by strong resident income and full value per capita of 185% and \$247,000, respectively. The city benefits from easy access to employment opportunities in the Dallas/Fort Worth (DFW) metropolitan area. Coppel maintains a robust history of strong reserves, amplified by operational surpluses over many years. This has led to an outstanding unrestricted cash position across all funds, equating to 209% of total revenue in fiscal 2023. Despite the potential for a decline in sales tax revenue, if challenged regulations governing internet sales becomes effective, the management team has proactively anticipated this potential reduction and has put strategies in place to ameliorate any potential decrease in sales tax revenue anticipating strong operating results in 2024 and 2025. Moreover, the city enjoys below-average leverage and fixed costs that are also lower than the average for Aaa-rated peers.

The lack of rating distinction between the Aaa issuer rating and the Aaa 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

Moody's Ratings does not usually assign outlooks to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Imbalanced operations leading to decline in fund balance to below 35%
- Growth in the long-term liabilities and fixed costs ratios to over 350% and 20%, respectively

LEGAL SECURITY

The city's bonds and certificates, including Series 2024, are direct obligations of the city secured by a direct and continuing annual ad valorem tax, levied on all taxable property within the limits prescribed by law, with the certificates further secured by a limited pledge not to exceed \$1,000 of surplus net revenues of the city's water and sewer system.

USE OF PROCEEDS

The Certificates sale will finance infrastructure projects, a new fire station, administrative building additions and improvements, system enhancements, and associated legal, fiscal, and engineering costs, including Certificate issuance-related expenses.

PROFILE

The City of Coppell is primarily located in Dallas County (Aaa stable) with a very small portion in Denton County (Aaa stable). The city covers roughly 14.7 square miles near the DFW International Airport (Dallas-Fort Worth International Airport Board, TX - A1 stable). The city has approximately 43,190 residents.

METHODOLOGY

The principal methodology used in this rating 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.

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 on <https://ratings.moodys.com/rating-definitions>.

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