

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aaa to City of Frisco, TX's GOLT bonds; outlook stable**

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30 Nov 2021

New York, November 30, 2021 -- Moody's Investors Service has assigned Aaa ratings to the City of Frisco, TX's \$83.9 million General Obligation Refunding and Improvement Bonds, Series 2022, \$12 million General Obligation Bonds, Taxable Series 2022, \$12.9 million Combination Tax and Surplus Revenue Certificates of Obligation, Series 2022A, and \$39.7 million Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2022B. Moody's maintains a Aaa issuer rating and a Aaa rating on the city's outstanding general obligation limited tax (GOLT) debt, which will total \$996.8 million post-sale. The outlook is stable.

#### RATINGS RATIONALE

The Aaa issuer rating reflects the city's large and growing tax base that is favorably located north of Dallas (A1 stable), with healthy resident income levels, and a strong fiscal position supported by prudent financial practices. The rating further incorporates the high demand for infrastructure and services to accommodate rapid growth, which will continue to drive an elevated, but affordable, debt profile with high fixed costs. Additional considerations include a modest pension liability and ample taxing headroom.

The lack of rating distinction between the issuer rating and the GOLT rating reflects the ample taxing headroom under the limited tax cap of 428%, 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

The stable outlook reflects the city's large tax base to remain stable over the medium term from new residential and commercial development, and a strong financial position that will remain stable supported by a proactive management team through prudent budgetary practice, despite a reliance on economically sensitive revenues.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Materially increase in debt burden absent corresponding tax base growth
- Significant deterioration of available operating reserves
- Considerable tax base decline

#### LEGAL SECURITY

The bonds and certificates are secured by a direct and continuing annual ad valorem tax, levied on all taxable property, within the limits prescribed by law. Additionally, the certificates are secured by a pledge of surplus net revenues of the city's waterworks and sewer system.

#### USE OF PROCEEDS

Proceeds of the bonds will be used for improvements to city hall, fire equipment, roads, parks, a performing art center, to refund certain outstanding obligations for savings with no extension of maturity, and various other infrastructure projects. Proceeds of the certificates will be used for improvements to a baseball stadium which the city leases, a parking garage, and water and sewer infrastructure projects throughout the city.

#### PROFILE

The City of Frisco is largely a bedroom community located 25 miles north of the City of Dallas in west central

Collin County (Aaa stable) and east central Denton County (Aaa stable). The local economy benefits from its proximity to major employment centers in Richardson (Aaa stable), Plano (Aaa stable) and Dallas.

## METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260094](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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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](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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