

MOODY'S

INVESTORS SERVICE

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

31 May 2018

New York, May 31, 2018 -- Moody's Investors Service has upgraded to Aaa from Aa1 the City of Frisco's, TX issuer rating, and rating on \$763.3 million in previously issued limited tax debt. At the same time, Moody's assigned a Aaa to the City of Frisco's, TX \$54.6 million General Obligation Bonds, Series 2018, and \$14.7 million Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018. The outlook is stable.

RATINGS RATIONALE

The upgrade to Aaa was based on expectations for continued healthy revenue growth supported by the city's large and growing tax base located in the desirable north Dallas area, above median wealth and income indices, as well as a strong fiscal position that will remain favorable despite anticipated near term draws. The rating is strengthened by ample headroom to raise property tax revenues, and prudent financial practices. While the city's debt to full value is higher than that of its Aaa peers, if combined with net pension liabilities, leverage is within a range that is consistent with the Aaa rating. A high demand for services to accommodate the city's growth will continue to result in additional debt issuance, but it will remain affordable due to the strength of the economy and tax base. The city's pension profile is low and expected to remain affordable over the next three to five years.

The Aaa limited tax rating is the same as the Moody's issuer rating reflecting the city's substantial margin under statutory tax rate limitations.

RATING OUTLOOK

The stable outlook reflects the city's large tax base which should continue to benefit in the near to medium term from new residential and commercial development, and a strong financial position that should remain stable supported by prudent fiscal practices, and a proactive management team.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Increasing leveraged debt profile from additional borrowing absent corresponding tax base growth
- Significant deterioration of available reserve levels or a substantial decrease in liquidity
- 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. The certificates are additionally secured by a limited pledge of the city's utility system, in an amount not to exceed \$1,000.

USE OF PROCEEDS

Proceeds from the bonds and certificates will be used for various citywide capital initiatives including roads, public safety, and utility system needs.

PROFILE

The City of Frisco is largely a bedroom community located 25 miles north 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 (A1 stable).

The city's 2018 estimated population is 176,232.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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