

**Rating Action: Moody's affirms Taylor, MI's Baa2 issuer rating; outlook stable**

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16 Aug 2019

New York, August 16, 2019 -- Moody's Investors Service has affirmed the City of Taylor, MI's Baa2 issuer rating. Concurrently, we have affirmed the Baa2 rating assigned to the city's outstanding Building Authority Public Facilities Bonds, Series 2004 which are backed by an unconditional lease with rental payments secured by the city's full faith and credit general obligation limited tax (GOLT) pledge. The outlook is stable. The Baa2 rating and stable outlook affect \$430,000 of outstanding GOLT debt.

The issuer rating represents Moody's assessment of hypothetical long-term debt of the city supported by a general obligation unlimited tax (GOULT) pledge. The city does not currently have any outstanding debt supported by a GOULT pledge. The pledge supporting the GOLT debt is based on Michigan's constitutional and statutory limits on tax levies available to pay debt service.

**RATINGS RATIONALE**

The Baa2 rating reflects the city's recovering valuations, healthy operational fund balance and cash weighed against a severely leveraged tax base stemming from debt, pension and other post-employment healthcare benefit (OPEB) liabilities that drive high annual fixed costs. The rating also incorporates the city's sliding demographic and socioeconomic indicators, including a slightly declining population and falling median family income relative to the nation as a whole.

The lack of notching between the city's issuer rating and GOLT backed rating reflects the city's full faith and credit pledged towards the repayment of limited tax debt.

**RATING OUTLOOK**

The stable outlook reflects our expectation that the city's significant reserve cushion will allow it to absorb growth in fixed costs over the next couple of years and remain appropriately positioned within its current rating category.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- Material tax base expansion coupled with rising wealth and income indices
- Demonstrated ability to sustain healthy fund balance and liquidity while also beginning to pay down outstanding long-term liabilities
- Reduction to the city's combined debt, pension and OPEB burden

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- Material tax base contraction and/or significantly diminished socioeconomic characteristics
- Narrowing of operating fund balance and liquidity
- Notable increases to the city's leverage

**LEGAL SECURITY**

The Series 2004 bonds issued by the City of Taylor Building Authority are secured by lease payments made to the authority by the city. The lease payments are not subject to appropriation or abatement and are secured by the city's general obligation full faith and credit pledge, with revenue available make payments subject to constitutional and statutory limitations.

**PROFILE**

The City of Taylor encompasses 24 square miles of Wayne County (Baa2 stable), in the south-eastern portion of Michigan's (Aa1 stable) lower peninsula. The city operates under a Mayor-Council form of government and

provides municipal services to an estimated 61,648 residents.

## METHODOLOGY

The principal methodology used in the issuer rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the lease rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2018. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

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