



Rating Action: Moody's publishes US Cities and Counties methodology and places ratings of 345 issuers on review

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New York, November 03, 2022 -- Moody's Investors Service has placed ratings of 252 US cities and counties on review for possible upgrade and 93 on review for possible downgrade in conjunction with the release of a new US Cities and Counties Methodology published November 2, 2022. The 345 issuers on review have approximately \$120 billion in debt outstanding.

Concurrently, Moody's has upgraded the non-general obligation ratings of 16 obligors. The upgrade of these non-general obligation ratings impacts \$4.5 billion in debt.

These actions reflect all the actual or potential changes for ratings covered under the new US Cities and Counties Methodology in conjunction with its adoption.

In addition, Moody's has assigned issuer ratings to 1,600 US cities and counties without ratings going on review. The existing outlooks for this group are unchanged.

The new methodology covers US cities (including towns, villages, etc.) and counties and their debt instruments that were previously covered under US Local Government General Obligation Debt and Lease, Appropriation, Moral Obligation and Comparable Debt of US Local Governments methodologies.

In addition, we have placed 4 obligors rated under the US Municipal Utility Revenue Debt Methodology, 14 obligors rated under the US Public Finance Special Tax Methodology, and 4 obligors rated under the Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology for upgrade or downgrade because the general obligations or issuer ratings of their associated city or county parent entity have been placed on review for either upgrade or downgrade. The relationship with the parent entity is a consideration in the US Municipal Utility Revenue Debt Methodology, US Public Finance Special Tax Methodology and Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology.

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM907921545 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM907921545 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Principal Methodologies and Models Used
- State of Obligor

The ratings of 345 cities and counties have been placed under review as a result of the analytical considerations in the new US Cities and Counties Methodology, which differ from those in the prior methodologies used to determine the current ratings. In most of these cases, all obligations of a city or county previously rated under the US Local Government General Obligation Debt and Lease, Appropriation, Moral Obligation and Comparable Debt of US Local Governments methodologies have been placed under review. In some of these cases, only the ratings of specific securities of a city or county have been placed under review, reflecting changes in methodology related to instrument-specific considerations.

The upgrade of non-general obligation instrument ratings of 16 obligors reflects the change in methodology related to instrument-specific considerations.

The newly assigned 1,600 Issuer Ratings align with the definition for Issuer Rating as outlined in Moody's Rating Symbols and Definitions. The new US Cities and Counties Methodology is used to assign Issuer Ratings that reflect the entity's ability to repay debt and debt-like obligations without consideration of any pledge, security or structural feature.

Each Issuer Rating reflects an evaluation of the key elements of the credit analysis for cities and counties, including the economy, finances, institutional framework and leverage together with other relevant considerations. Issuer Ratings are now used as the starting point for determining the debt instrument ratings assigned within the US Cities and Counties methodology.

The 4 municipal utility obligors are on review because the US Municipal Utility Revenue Debt methodology typically places the ratings of a municipality's utility debt within two notches of its issuer rating, which in these cases is being placed under review due to the change in methodology.

The 14 special tax obligors are on review because the US Public Finance Special Tax methodology typically places the special tax rating at or below the related issuer rating, which in these cases is being placed under review due to the change in methodology.

The 4 guaranteed obligors are on review because the Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology typically places the guarantee ratings at or below the issuer or general obligation rating, which in these cases is being placed under review due to the change in methodology.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

-For issuer ratings: Improvement in fundamental credit factors, including those related to economy, finances, institutional framework, or leverage

-For debt instrument ratings: Upgrade of the issuer level rating or strengthening of the structural and performance characteristics of individual debt securities.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

-For issuer ratings: Declines in fundamental credit factors, including those related to economy, finances, institutional framework, or leverage

-For debt instrument ratings: Downgrade of the issuer level rating or weakening of the structural and performance characteristics of individual debt securities.

METHODOLOGY

The principal methodology used in the issuer, general obligation and lease ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. The principal methodology used in the special tax ratings was US Public Finance Special Tax Methodology published in January 2021 and available at <https://ratings.moodys.com/api/rmc-documents/70024>. The principal methodology used in utility ratings was US Municipal Utility Revenue Debt Methodology published in April 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386721>. The principal methodology used in guaranteed ratings was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Endorsement

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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