

Rating Action: Moody's assigns A2 to City of New Orleans, LA's GOULT Series 2022

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New York, September 12, 2022 -- Moody's Investors Service has assigned an A2 rating to the City of New Orleans, LA's \$120 million General Obligation Refunding Bonds, Series 2022. Moody's maintains the A2 on the city's outstanding general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) debt. Post-sale, the city will have about \$633.8 million in GOULT and \$160.4 million in GOLT debt. The outlook is stable.

RATINGS RATIONALE

The A2 GOULT rating reflects solid economic recovery following losses reported at the early onset of the pandemic, improved financial performance supported by still available federal aid even as the city maintains a commitment to balancing operations and maintaining satisfactory reserves. Additional considerations include resident income that remain weaker than the national average and lower than similar sized peers, and moderate long-term liabilities with high fixed costs.

The city by virtue of its location remains exposed to environmental risks. Post Hurricane Katrina, multiple levels of government (federal and state) including the city have invested over \$14 billion in infrastructure investments to boost the city's resilience to environmental risks. These initiatives as well as continued strategic planning for further capital improvements will better position the city to manage future challenges associated with its significant exposure to environmental risks.

The lack of rating distinction between the GOULT and GOLT ratings reflects the ample taxing headroom which provides over two times debt service coverage of all parity GOLT debt.

RATING OUTLOOK

The stable outlook reflects the expectation that the city's economy will continue to strengthen as tourism continues to recover and benefit the area. Management's willingness to maintain adequate reserve levels and balanced operations, despite budgetary challenges such as high fixed costs, public safety investments and infrastructure needs, will be key to maintaining a stable credit profile.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Continued balanced operations and material improvement in reserve levels
- Significant expansion and diversification of the local economy
- Improved funding levels of pension liabilities resulting in more moderate long-term liabilities and fixed costs

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Structurally imbalanced operations driving a deterioration in reserves
- Substantial debt issuance absent corresponding tax base and revenue growth
- Growth in fixed costs that lead to structural imbalance

LEGAL SECURITY

The GOULT bonds are payable from the city's full faith and credit and a dedicated unlimited property tax pledge, which is secured by state statute.

The GOLT bonds are payable from a static general purpose 13.91 mills set in the state's constitution. Proceeds from the levy may be used for debt service, operations and capital projects but creditors have a first

priority lien on the limited levy. Per state law, upon reassessment, millages must be set to be at least revenue neutral, providing some stability to the pledged revenue stream.

USE OF PROCEEDS

Proceeds will be used to refund certain maturities of the city's existing debt for an expected net present value savings and no extension of final maturity.

PROFILE

The City of New Orleans was founded in 1718, incorporated in 1805, and with an estimated population about 377,000 as of 2021 is the largest populated city in the state. The city is in the southeastern portion of Louisiana (Aa2 stable) and lies along the Mississippi River near the Gulf of Mexico. The city's economy is driven by tourism, trade, health care, and higher education.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at <https://ratings.moody.com/api/rmc-documents/70015>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

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Adebola Kushimo
Lead Analyst
REGIONAL_SOUTHWEST
Moody's Investors Service, Inc.
Plaza Of The Americas
600 North Pearl St. Suite 2165
Dallas 75201
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Orlie Prince

Additional Contact
REGIONAL_NE
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653



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