

Rating Action: Moody's assigns Aaa GOLT rating to Vestavia Hills, AL's \$22M GO Warrants, Series 2020-A and 2020-B; outlook stable

27 May 2020

New York, May 27, 2020 -- Moody's Investors Service has assigned a Aaa General Obligation Limited Tax (GOLT) rating to the City of Vestavia Hills, AL's \$4.3 million General Obligation Warrants, Series 2020-A and \$17.8 million General Obligation Warrants (Federally Taxable), Series 2020-B. Moody's maintains the Aaa issuer rating as well as the Aaa GOLT rating on the city's outstanding parity debt. The outlook is stable.

The issuer rating represents Moody's assessment of hypothetical 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 city's outstanding general obligation debt is limited based upon Alabama's (Aa1 stable) constitutional property tax limits.

RATINGS RATIONALE

The Aaa issuer rating reflects the city's large tax base which had exhibited rapid growth and very low unemployment levels prior to the Coronavirus outbreak. The rating also reflects extremely high wealth levels, an above-average but affordable debt profile and a strong financial position marked by healthy reserve and liquidity positions.

The Aaa GOLT rating is the same as the issuer rating, given the presence of the full faith and credit pledge of the city.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Vestavia Hills. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Vestavia Hills changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The stable outlook reflects the expectation that management's conservative budgeting practices and overall prudent fiscal controls, will allow the city to maintain its healthy General Fund reserves as well as keep the city's debt at affordable levels.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Declines in General Fund reserves or liquidity levels
- Sizeable increases in the city's debt profile which reduces overall financial flexibility
- Significant contractions in the tax base or deterioration of socioeconomic indicators

LEGAL SECURITY

The Series 2020-A and 2020-B Warrants are general obligations of the city payable from all lawfully available revenues and funds and secured by an irrevocable pledge of the full faith and credit of the city.

USE OF PROCEEDS

Proceeds from the Series 2020-A Warrants will be used to refund the city's outstanding Series 2009-B BABs for an expected net present value savings of 6.94% of refunded principal.

Proceeds from the Series 2020-B Warrants will be used to advance refund the city's outstanding Series 2013-A Warrants and partially advance refund the Series 2014 Warrants. The expected net present value savings is 3.59% of refunded principal.

PROFILE

The city is located in Jefferson County (A3 stable), within close proximity to the City of Birmingham (Aa3 negative) and is primarily residential in nature. The total population within Vestavia Hills has increased 39% since 2000 and was 34,163 as of the 2018 American Community Survey.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in September 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1191097. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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