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Rating Action: Moody's assigns Aaa to Oklahoma City, OK's Series 2021 GO; stable outlook

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New York, March 11, 2021 -- Moody's Investors Service has assigned Aaa ratings to the City of Oklahoma City, OK's \$116.6 million General Obligation Bonds, Series 2021, \$19.2 million General Obligation Refunding Bonds, Series 2021, and \$30 million General Obligation Limited Tax Bonds, Taxable Series 2021. Moody's maintains the previously assigned Aaa rating on the city's outstanding general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) bonds. Moody's also maintains the Aa2 rating on the city's various appropriation pledges. The outlook is stable. Following this sale, the city will have approximately \$1.3 billion of tax secured debt outstanding.

RATINGS RATIONALE

The Aaa rating is based on the city's large and stable tax base supported by a regional economy anchored by a diverse representation of governmental agencies and several corporations in the energy sector. The city's financial reserves have remained strong and stable despite COVID-19 due to proactive budgetary management by officials, which is crucial considering the city's high reliance on volatile sales/use tax to fund ongoing operations. The Aaa rating continues to incorporate the city's wealth indicators that remain lower than similarly sized peers, as well as a moderate debt and pension profile that should remain affordable. The rating differentiation between Oklahoma City and the State of Oklahoma (Aa2 stable) is based on the city's sizeable financial reserves and lack of reliance on the direct taxation of oil/gas production.

The lack of differentiation between the city's Aaa general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) ratings is due to the substantial headroom under the applicable property tax cap. The city has over 100% headroom under the 5 mill cap when considering the present levy and maximum annual debt service.

The Aa2 appropriation rating reflects the city's commitment to make a portion or all of the debt service payment due from legally available funds if pledged revenues are insufficient or unavailable. The two notch distinction between the city's Aaa general obligation rating and the Aa2 appropriation rating reflects the city's commitment which is subject to annual appropriation and the lack of essentiality of the various funded projects.

RATING OUTLOOK

The stable outlook reflects the expectation that the city will maintain a high level of reserves over the long term. Management's continued ability to navigate weak economic or financial cycles while maintaining a strong financial position will be key to maintaining the rating and outlook. The stable outlook also reflects the stabilizing economic influence of the various governmental employers within the city that will help to offset fluctuations in the private sector.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable (GOULT & GOLT)
- Enhanced legal security (appropriation rating)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Weakened financial position and liquidity
- Decline in economic activity that drives sales tax revenues
- Substantial increases in debt levels absent corresponding tax base growth
- Unwillingness or inability to budget for the annual appropriation of debt service if necessary
- Violation of legal covenants

-Downgrade of the city's general obligation rating (appropriation rating)

LEGAL SECURITY

The general obligation and general obligation refunding series of bonds is payable from a legally unlimited ad valorem tax levied on all taxable property within the city. The general obligation limited tax series is payable from an ad valorem tax subject to a 5 mill limitation.

USE OF PROCEEDS

The bonds are issued as part of the city's ongoing 2017 general obligation bond initiative that is funding a wide variety of capital improvements throughout the city, including transportation infrastructure, parks, and improvements to facilities located within the Civic Center Complex. The general obligation refunding bonds are issued to refund previously issued debt to achieve savings on debt service.

PROFILE

The City of Oklahoma City is the state's capital and the largest city within the state. The city serves as a regional center for the area, with energy and resources, as well as defense being the main economic indicators. The current estimated population is 679,705.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. 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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