

MOODY'S

RATINGS

Rating Action: Moody's upgrades Lafayette, LA special tax rating to Aa2 from Aa3; assigns Aa2 to new sales tax bonds

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New York, April 03, 2024 -- Moody's Ratings ("Moody's") has upgraded to Aa2 from Aa3 the City of Lafayette, LA's 1961 and 1985 special tax ratings. Concurrently, Moody's has assigned a Aa2 rating to the city's Public Improvement Sales Tax Bonds, Series 2024A in the anticipated par amount of \$25 million and to the Public Improvement Sales Tax Bonds, Series 2024B in the anticipated par amount of \$24.9 million. Following the issuance, the city will have approximately \$221 million in outstanding special tax revenue debt.

RATINGS RATIONALE

The upgrade to Aa2 for both the 1961 sales tax bonds and 1985 sales tax bonds reflects sustained improvement in debt service coverage providing over 4.0 times maximum annual debt service (MADS) coverage for both liens as of fiscal 2023. The city is a regional hub attracting consumers from elsewhere in the parish and the broader region supporting a stable local economy and solid revenue growth with minimal fluctuations over the past several years. The nature of both taxes are fairly broad, though the 1985 tax exempts food and medical while the 1961 does not. The ratings further incorporate adequate legal provisions including an additional bonds test of 1.5 times MADS.

RATING OUTLOOK

Moody's does not assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improvement in the credit quality of the city and consolidated government overall

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Weakening of the local economic profile, credit quality of the city, or credit quality of

the consolidated government overall

- Decline in sales tax revenues decreasing debt service coverage below 3 times MADS coverage

- Additional leveraging of pledged revenues that materially weakens debt service coverage

LEGAL SECURITY

The Series 2024A (1961 tax) and Series 2024B (1985 tax) bonds are each payable from the proceeds of a separate one percent (1%) sales and use tax. The pledge is largely the same though the 1985 tax is not levied on food and medical while the 1961 tax is.

USE OF PROCEEDS

Proceeds from the Series 2024A and Series 2024B bonds will be used for public works or capital improvements through the city.

PROFILE

The city, along with the parish, is part of the Lafayette Consolidated Government, located in south central Louisiana, about 135 miles west of New Orleans (A2 stable) and 60 miles west of Baton Rouge (Baton Rouge Consolidated City-Parish Government, Aa2 stable issuer rating). The city has an estimated population of approximately 133,000 while the parish's population is approximately 244,000.

METHODOLOGY

The principal methodology used in these ratings was US Public Finance Special Tax Methodology published in January 2021 and available at <https://ratings.moodys.com/rmc-documents/70024>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

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Brittany Burrell
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

Gera McGuire
Additional Contact
REGIONAL_SOUTHWEST
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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