

**Rating Action: Moody's assigns Aa3 to Alpena County, MI's GOLT bonds**

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New York, October 24, 2018 -- Moody's Investors Service has assigned a Aa3 rating to Alpena County, MI's \$1.5 million Capital Improvement Bonds, Series 2018 (General Obligation - Limited Tax) and \$11.6 million Capital Improvement Jail Bonds, Series 2018 (General Obligation - Limited Tax). Concurrently, Moody's has affirmed the county's Aa3 issuer rating as well as the Aa3 rating assigned to previously issued general obligation limited tax (GOLT) bonds. Following the sale of the current offerings the county will have \$14.3 million of GOLT debt outstanding.

**RATINGS RATIONALE**

The Aa3 issuer rating reflects the county's very healthy financial condition, highlighted by robust operating fund balance and liquidity. The county's financial strengths offset a number of limiting credit factors including its modest tax base size for the rating category, below average income and wealth, and lack of economic dynamism given its remote location in northern Michigan (Aa1 stable). Additionally incorporated are the county's moderate debt, pension and fixed cost burdens.

The GOLT bonds are rated at the same level as the county's issuer rating to reflect the county's full faith and credit pledge on limited tax debt. Payment on the bonds is a first budget obligation payable from all available resources, including the county's ad valorem property tax authority, which is subject to applicable statutory and constitutional limitations.

**RATING OUTLOOK**

Outlooks are typically not assigned to local governments with this amount of debt.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- Significant economic and tax base expansion
- Materially improved demographic trends and socioeconomic indicators

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- Notable economic and/or tax base contraction
- Sustained declines in operating fund balance or liquidity
- Material growth in the county's debt or pension burdens

**LEGAL SECURITY**

Both series of bonds are secured by the county's GOLT full faith and credit pledge. The ability of the county to raise funds is subject to applicable statutory and constitutional tax limitations.

**USE OF PROCEEDS**

Proceeds of the Capital Improvement Bonds, Series 2018 will be used with \$1.0 million of cash on hand to finance the county's local match for various projects at the Alpena County Regional Airport.

The Capital Improvement Jail Bonds, Series 2018 will finance a new county jail and sheriff's office.

**PROFILE**

Alpena County encompasses 640 square miles along Lake Huron in the northeastern portion of the state's Lower Peninsula. The county operates under an elected Board of Commissioners and provides county services to a population of 28,462. The City of Alpena is the county seat.

## METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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