

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aaa to Montgomery County, PA's GO bonds Series 2021 A&B; outlook stable

12 Jan 2021

New York, January 12, 2021 -- Moody's Investors Service has assigned a Aaa rating to Montgomery County, PA's \$93.445 million General Obligation Bonds, Series A of 2021, and \$12.3 million General Obligation Bonds, Series B of 2021. Moody's maintains its Aaa rating on roughly \$442 million of the county's general obligation unlimited tax debt. The outlook is stable.

RATING RATIONALE

The Aaa rating reflects Montgomery County's large dynamic tax base, with continued development underway despite the onset of the coronavirus pandemic. The county is somewhat exposed to retail and tourism, two industries we expect to be impacted over the long term by the pandemic. However, its top employers are very stable and include several pharmaceutical firms as well as state and county government. Resident wealth is satisfactory, with MFI at 146% of the nation, and real estate tax revenue - the county's primary revenue source - is stable year over year. The Aaa rating also considers the county's modest debt and pension burden, and its overall strong financial profile, given consistent structurally balanced operations generating healthy surpluses. The county expects to report another strong surplus at fiscal 2020 year end. The Aaa rating also reflects the county's robust reserve levels and our expectation that reserves will be maintained within a healthy range going forward.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. Given the current stability of real estate tax and state aid revenue currently, we do not anticipate any material immediate credit risks for Montgomery County. The situation surrounding coronavirus and resulting recession continues to evolve and the longer-term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Montgomery County changes, we will update our rating and / or outlook at that time.

RATING OUTLOOK

The stable outlook reflects the county's strong current financial position, and our expectation of continued financial operations at this level.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not Applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Failure to consistently maintain structurally balanced operations
- Material draws on fund balance
- Meaningful, sustained economic downturn that leads to deterioration of wealth levels

LEGAL SECURITY

The county has irrevocably pledged its full faith, credit and taxing power to the Series A and B of 2021 General Obligation Bonds.

USE OF PROCEEDS

The proceeds of the Series A bonds will be applied to finance a portion of the capital projects included in the county's ongoing five-year capital plan. The proceeds of the Series B bonds will be applied to finance certain capital projects of the county, including the design, planning, acquisition, construction, and renovation of bridges and repair of roads throughout the county.

PROFILE

Montgomery County is the third-largest county in Pennsylvania (Aa3 stable), located in the Philadelphia (A2 stable) metro area. Its population is roughly 831,000 as of the most recent US Census estimate from 2019.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in July 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. 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.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1243406.

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