



INVESTORS SERVICE

Rating Action: Moody's assigns Aa3 to Escambia County SD's (FL) \$44.7M 2020 COPs

04 Jun 2020

NOTE: On June 11, 2020, the press release was corrected as follows: In the last sentence of the first paragraph of the press release, the outstanding amount of the district's rated outstanding COPs was changed to \$9.2 million. Revised release follows.

New York, June 04, 2020 -- Moody's Investors Service has assigned a Aa3 rating to Escambia County School District, FL's \$44.7 million Certificates of Participation, Series 2020A. We maintain the Aa3 rating on \$9.2 million of the district's outstanding COPs and Aa2 issuer rating.

RATINGS RATIONALE

The Aa3 on the COPs reflects a one-notch distinction from the issuer rating and incorporates the risk of non-appropriation, the essentiality of leased facilities (school buildings) and the strong underlying credit quality of the issuer. The rating further incorporates the assumption that lease payments will be partly paid from a voter-approved sales tax which provides strong coverage as well as a portion of ad valorem taxes from the district's 1.5 mill discretionary capital millage outlay levy.

The Aa2 issuer rating reflects the district's large tax base, solid financial position, and manageable debt and pension liabilities.

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 Escambia County School District. 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 Escambia County School District changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

Outlooks are not typically assigned to issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Strengthened financial position and liquidity (issuer rating)
- Tax base diversification and significant enhancement of socioeconomic profile (issuer rating)
- Upgrade of issuer rating (COPs)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Erosion of financial position and liquidity (issuer rating)
- Substantial decline in tax base and wealth and income levels (issuer rating)
- Downgrade of the issuer rating (COPs)
- Significant decline in available sales tax revenues and/or coverage, or available capital outlay funds under the 1.5 millage rate (COPs)

LEGAL SECURITY

The 2020 COPs are secured by lease payments made by the district. In practice, lease payments will be made from the half-penny discretionary sales tax levied by the district and a portion of the proceeds of the district's 1.5 mill discretionary capital millage outlay levy.

USE OF PROCEEDS

Proceeds from the 2020 bonds will be used to fund a new elementary school and renovations and improvements to school facilities.

PROFILE

The district is coterminous with Escambia County, FL (Aa2). In fiscal 2020, the district had 62 schools and an enrollment of 39,706 students.

METHODOLOGY

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2018 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1102364 . 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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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_1133569 .

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Nisha Rajan
Lead Analyst
Regional PFG Northeast
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US

JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Lauren Von Bargaen
Additional Contact
Regional PFG Northeast
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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Nisha Rajan
Lead Analyst
Regional PFG Northeast
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US

JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Lauren Von Bargaen
Additional Contact
Regional PFG Northeast
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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CREDIT OPINION

18 December 2015

New Issue

Escambia County School District, FL

New Issue - Moody's assigns initial Aa3 rating to Escambia Co. School District, FL's Sales Tax Revenue Bonds, Ser. 2016

Summary Rating Rationale

Moody's Investors Service has assigned an initial Aa3 rating to Escambia County School District, FL's \$53.4 million Sales Tax Revenue Bonds, Series 2016.

The Aa3 rating reflects the district's healthy level of pledged sales tax revenues, which provide solid projected debt service coverage, sizeable local economy with a stable military presence, and below average resident wealth levels. The rating further incorporates the satisfactory legal provisions for the bonds.

Credit Strengths

- » Solid projected debt service coverage
- » Growing sales tax collections
- » Sizeable local economy with stable military presence

Credit Challenges

- » Below average socioeconomic profile

Rating Outlook

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

Factors that Could Lead to an Upgrade

- » Continued tax base expansion and significant enhancement of socioeconomic profile
- » Sustained trend of sales tax revenue growth leading to significant increase in debt service coverage

Factors that Could Lead to a Downgrade

- » Deterioration of debt service coverage levels

Contacts

Pisei Chea 212-553-0344
 Associate Analyst MIS
 pisei.chea@moodys.com

Gregory W. Lipitz 212-553-7782
 VP-Sr Credit Officer
 gregory.lipitz@moodys.com

Key Indicators

Exhibit 1

Escambia County School District, FL					
Credit Background					
Pledged Revenues	One-Half Cent Sales Tax				
Legal Structure					
Additional Bonds Test	1.25x MADS				
Open or Closed Lien	Open Lien				
Debt Service Reserve Fund Requirement	DSRF surety-funded at lesser of standard 3-prong test				
MADS Coverage					
Pro Forma MADS Coverage (x)	3.84x				
Projected Trend Analysis					
	2016	2017	2018	2019	2020
Estimated Debt Outstanding (\$000)	52,395	50,210	46,575	42,790	38,820
Projected Revenues (\$000)	24,120	24,887	25,679	26,495	27,338
Projected Annual Debt Service Coverage (x)	86.7x	5.3x	4.2x	4.4x	4.5x

Pro forma MADS coverage is based on fiscal 2015 actual sales tax revenues of \$23.4 million.

Source: Escambia County School District, FL

Recent Developments

Recent developments are incorporated in the Detailed Rating Considerations.

Detailed Rating Considerations

Tax Base and Nature of Pledge: Stable Local Economy with Strong Military Presence; Broad Sales Tax Pledge
Escambia County's (Aa2) economy will continue to strengthen due to the improving housing market, tourism growth, and the strong military presence. The school district is geographically coterminous with the county, and therefore shares the same overall economic base. The county includes the City of Pensacola (sales tax revenue rated Aa3). The Pensacola MSA supports a number of military operations, including the Pensacola Naval Air Station (NAS), NAS Whiting Field, Saufley Field, Corry Field, and Naval Hospital.

The economy is further diversified by the presence of a strong healthcare sector and some major manufacturers, including International Paper Company (Baa2 stable). Furthermore, the Navy Federal Credit Union has relocated offices from Virginia (Aaa stable) to Pensacola, adding 5,000 jobs to the area. Much of the current growth in the county is driven by this influx of new jobs. The sizeable \$23.7 billion tax base continues to show signs of improvement with assessed value growth of 11.4% and 3.7% in 2015 and 2016, respectively.

Socioeconomic indicators remain below average for the rating category, driven largely by the large military presence in the region. The median family income is 85.6% of the US median, according to the 2013 American Community Survey. The September 2015 unemployment rate in Escambia County of 5.2% is below the state (5.3%) but higher than the national (4.9%) rates for the same time period.

Debt Service Coverage and Revenue Metrics: Solid Projected Debt Service Coverage and Growing Sales Tax Revenues
Debt service coverage will likely grow each year due to the continued strengthening of the local economy and trend of growing sales tax receipts. In fiscal 2015, pro forma maximum annual debt service coverage (MADS) by the district's one-half cent sales tax was a strong 3.84 times.

This publication does not announce a credit rating action. For any credit rating referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

The district conservatively projects 3.18% growth in sales tax revenues going forward. Sales tax growth in the past five years has averaged 4.5% annually, including a 7.0% increase in fiscal 2015. The district conservatively budgets for \$20 million of annual sales tax collections. For fiscal 2016, management anticipates collecting approximately \$24.1 million in sales tax revenues. Collections through November 30, 2015 were \$10.4 million.

Fiscal 2018 projected sales tax revenues (\$25.7 million) provide 4.22 times coverage of MADS (\$6.1 million), which occurs in the same year. Following fiscal 2018, coverage is expected to continue to grow as annual debt service remains relatively level and sales tax revenues continue to improve.

LIQUIDITY

Liquidity is not a major factor in the methodology.

Debt and Legal Covenants: Satisfactory Legal Provisions for Bondholders

Satisfactory legal provisions include an additional bonds test of 1.25 times MADS and a surety-funded debt service reserve, which is required to be funded at the lesser of the standard three-prong test. Management does not have plans to issue additional debt on parity with the new issuance. Amortization of debt is above average with 78.13% retired in 10 years, with maturity of the bonds coinciding with the expiration of the sales tax in 2027.

Management and Governance: Conservative Budgeting Practices

District officials have a history of conservative budgeting practices. Revenue projections are based on conservative assumptions of sales tax growth, and the district typically budgets for less sales tax revenues than are actually received each year.

Legal Security

The bonds are secured by broad pledge of the one-half cent school capital outlay discretionary sales surtax. Voters approved an extension of the sales tax in a November 2014 referendum for a period of 10 years from January 1, 2018 until December 31, 2027. Voter approval for the sales tax has typically reached over 70%. The district plans to go to voters to renew the sales tax prior to expiration.

Use of Proceeds

Proceeds from the Sales Tax Revenue Bonds, Series 2016 will finance the acquisition, construction, and renovation of various educational facilities within the district.

Obligor Profile

Escambia County School District provides K-12 education to approximately 40,000 students in Escambia County. The district projects flat enrollment going forward with little pressure from charter schools.

Methodology

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in January 2014. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

Ratings

Exhibit 2

ESCAMBIA COUNTY SCHOOL BOARD, FL

Issue	Rating
Sales Tax Revenue Bonds, Series 2016	Aa3
Rating Type	Underlying LT
Sale Amount	\$53,395,000
Expected Sale Date	01/06/2016
Rating Description	Special Tax: Sales

Source: Moody's Investors Service

MOODY'S

INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

November 14, 2014

Mr. Terry St. Cyr
Escambia County School District, FL
Vernon McDaniel Building
75 North Pace Boulevard
Pensacola, FL 32505

Dear Mr. St. Cyr:

We wish to inform you that on October 27, 2014, Moody's Investors Service reviewed and assigned a rating of Aa3 to Escambia County School District, FL, Refunding Certificates of Participation, Series 2014.

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November 14, 2014

Terry St. Cyr
ESCAMBIA COUNTY SCHOOL
DISTRICT, FL
Vernon McDaniel Building
75 North Pace Boulevard
Pensacola, FL 32505

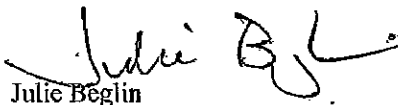
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If there is a conflict between the terms of this rating letter and any related Moody's rating application, the terms of the executed rating application will govern and supercede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Moses Kopmar at 212-553-7106.

Sincerely,



Julie Beglin

VP-Sr Credit Officer/Manager

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns provisional (P) Aa3 to Escambia Co. School Board, FL's \$20M Refunding COPs, Ser. 2014

Global Credit Research - 16 Apr 2014

ESCAMBIA COUNTY SCHOOL BOARD, FL
Public K-12 School Districts
FL

Moody's Rating

ISSUE	RATING
Refunding Certificates of Participation, Series 2014	(P)Aa3
Sale Amount	\$20,335,000
Expected Sale Date	11/03/14
Rating Description	Lease Rental: Appropriation

Moody's Outlook Not Specified

Opinion

NEW YORK, April 16, 2014 --Moody's Investors Service has assigned a provisional rating of (P) Aa3 to Escambia County School Board, FL's planned sale of \$20.3 million Refunding Certificates of Participation (COPs), Series 2014. The certificates are secured by annually-appropriated lease payments.

The sale is a forward refunding with a delayed delivery closing in November 2014. Moody's assigns provisional ratings (P) when the assignment of a final rating is subject to the fulfillment of contingencies but it is highly likely that the rating will become definitive after all documents are received or an obligation is issued into the market. Upon a review of the transaction structure and terms at closing, Moody's will endeavor to assign a definitive rating. A definitive rating (if any) may differ from a provisional rating.

Proceeds will refund substantially all of the district's Series 2004 COPs, for estimated net present value savings of \$1.49 million, or 6.8% of refunded principal, with no extension of maturity.

SUMMARY RATING RATIONALE

The (P) Aa3 COP rating is based upon the district's sound financial position, reflected in healthy General Fund liquidity and reserves, a very low debt burden, and a near-term capital plan that is expected to be financed internally from accumulated cash reserves and capital-only revenues. The rating additionally reflects favorable bondholder protections provided by use of a master lease structure that enhances the incentive to appropriate, the essential nature of the leased assets, and the ample availability of capital outlay revenues for payment of debt service.

STRENGTHS

- Healthy General Fund liquidity and reserves
- Very low debt burden
- Ample revenues available for capital needs

CHALLENGES

- Ability to maintain current cash and reserves levels
- Economy dominated by tourism and military components

- Near-term expiration of capital sales surtax

DETAILED CREDIT DISCUSSION

ESSENTIAL NATURE OF PROJECTS AND SOUND SECURITY FEATURES MITIGATE APPROPRIATION RISK

We believe the strength of the master lease program, the essential nature of the projects, and the ability to utilize a separate funding source for COP payments provide strong appropriation incentive. The district currently has two separate lease schedules used to secure various series of COPs. Under the terms of the master lease, the school board must budget and appropriate for all or none of the assets included in the projects. Approximately 36% of the district's 61 educational facilities are under the master lease in whole (6 schools) or in part (15 additions). At the time of the delayed delivery closing, combined COP principal of \$34.7 million will be fully collateralized, 1.20 times or 120%, by assets from the projects.

Under the lease agreement, the superintendent shall include the funds necessary to make all lease payments in the proposed budget, unless prior to fiscal year-end, the board shall provide notice of its intent not to appropriate for such lease payments due in the following fiscal year. A failure to appropriate for all lease payments would result in forfeiture of facilities included under the master lease and could cause material disruption to district operations. Due to the essential nature of the financed projects, we believe that the risk of non-appropriation is minimal.

Lease payments are typically paid from, not secured by, a portion of the district's 1.5 mill capital outlay levy. The value of a mill at a 96% collection rate in fiscal 2014 is approximately \$14.5 million in relation to estimated (post refunding) maximum annual debt service on all COPs of less than \$5.1 million, which requires a low levy of 0.35 mills. The board does not currently plan to issue additional COPs within the next five years. All COPs are repaid within the next 8 years. There is no debt service reserve for any series of COPs, and no limit on the number of projects that may be included in the master lease. State law had allowed school districts to use up to 75% (or 1.125 mills) of their 1.5 mill capital outlay levy to make lease payments. The law was subsequently amended to exclude from the calculation lease obligations entered into prior to June 30, 2009. All of the district's COPs are excluded from the 75% limit.

ECONOMY DEPENDENT ON MILITARY AND TOURISM

Escambia County is located in the northwestern part of the state, bordered on the west and north by Alabama (LT SR GO rated Aa1/Stable), on the east by Santa Rosa County (LT SR REV rated A1), and on the south by the Gulf of Mexico. We expect the military and tourism-focused economy will continue to rebound from the recession, but remain exposed to future storm events and the modest stability provided by military and health care sectors. Escambia County, which includes the City of Pensacola (LT SR REV rated Aa3), provides a number of recreational activities for visitors from the southeast states with its beaches, barrier islands and various attractions. With the purchase of AirTran in 2012, Southwest Airlines Co. (Long Term Rating Baa3/Stable) now services Pensacola International Airport from Houston (LT SR GO rated Aa2/Stable) and Metropolitan Government of Nashville & Davidson County, FL (LT SR GO rated Aa2/Stable) area.

While a considerable portion of the county's economy is tourism-related, this concentration in tourism is somewhat offset by employment in health services and the current military presence. The Pensacola MSA supports a number of military operations including: Pensacola Naval Air Station (NAS), NAS Whiting Field, Saufley Field, Corry Field and the Naval Hospital. Total military-related employment, including construction, has historically accounted for almost 50% of payroll in the Pensacola MSA, providing a significant driver to the local economy. In April 2013, Navy Federal Credit Union decided to expand its Pensacola campus, constructing 2 new buildings and adding 1,500 new jobs.

The economy also includes a strong health care sector with three major facilities (Baptist, Sacred Heart, and West Florida Regional), as well as some major manufacturers such as International Paper Company (Long Term Rating Baa3/Stable) and Solutia (chemicals). The area economy may also benefit from its proximity to the new \$600 million Airbus assembly line in Mobile, Alabama (GOLT rated Aa2).

The county's unemployment rate is above the state level, but has been trending below the national average at 6.6% in January 2014 (6.3% state; 7% nation). County wealth levels are somewhat weak, with median family income and per capita income at 91.4% and 86.5% of the state, respectively. Tax base growth has averaged -1.6% over the past five years, but taxable value increased a modest 0.9% in fiscal 2014 to reach \$15.1 billion. Full value per capita is sound at \$81,390, and is understated given the numerous exempt properties in the area. Building permit activity has increased for the last two years - measured in both number and value of permits - from

\$62.6 million in fiscal 2011 to \$113.9 million in fiscal 2013, and median home prices have increased 5.5% year-over-year.

According to Moody's Economy.com (November 2013), the Pensacola MSA will strengthen in coming months as the drag from sequestration fades and private drivers benefit from favourable conditions. Job growth will top the U.S. average and maintain pace with strong statewide performance by late 2014. The area economy should also expand a step ahead of the nation over the long term because of vigorous net migration and the presence of important service industries.

SATISFACTORY FINANCIAL PERFORMANCE WITH GOOD GENERAL FUND CASH AND RESERVES

We believe the district's favorable financial position will remain stable given sound management, conservative budgeting practices and consistently favorable fund balance reserve levels. While district enrollment remained level from fiscal 2009 (40,330) to fiscal 2014 (40,180), the district closed 8 schools and eliminated more than 470 FTE positions (8%) over the same period, and succeeded in meeting class-size-reduction in each year, except for fiscal 2013. The leaner operation profile has benefitted the district, allowing it to accumulate stimulus funds received in fiscal 2010 and fiscal 2011 and then carry these funds into its fiscal 2012 and fiscal 2013 budgets. While the district spent down some of these funds in fiscal 2012, it brought operations into better balance in fiscal 2013, with the use of only \$4.9 million of reserves, and ended the year with a healthy General Fund cash balance of \$47 million (17.2% of revenues) and reserves of \$50.6 million (18.5% of revenues). The district used state categorical funds to fully cover teacher payments and increased FRS contribution in fiscal 2014, and expects to appropriate \$3.5 million of reserves by year-end.

The district intends to stabilize reserves near the \$45 million level (approximately 15% or 16% of revenues), and has the expenditure flexibility remaining to do so. The district currently has positions associated with both non-core programs and transitional programs, and faces limited enrollment growth or pressure from charter schools. Fixed costs do not present an onerous burden, with the fiscal 2013 pension ARC (\$8.9 million) and OPEB ARC (\$2.4 million) combining to less than 4% of General Fund revenues. Employee dental, health, and life insurance premiums are fully funded out of the district's Employee Benefit Trust Fund, which is an internal service fund with the premium costs shared between the district and employees. Further, the district's capital flexibility allows for the absorption of many smaller operating costs into the capital budget.

VERY LOW DEBT BURDEN WITH SUBSTANTIAL CAPITAL FLEXIBILITY

The district's credit profile benefits from a very low debt burden and the presence of a voted half-cent infrastructure sales surtax for capital only. The district has identified capital needs of approximately \$40 million per year over the next five years, with investment focused mainly on routine maintenance, security, and the potential expansion of one or two school facilities. The district has a voted half-cent infrastructure sales surtax for capital only, from which it received \$21.1 million in fiscal 2013. The district's capital outlay levy produced nearly \$21 million in fiscal 2013, which combined with the sales surtax revenues should enable the district to fully fund its capital needs internally over the next several years (inclusive of lease payments). Additionally, the district ended fiscal 2013 with \$79 million of cash reserves in its sales surtax fund, and \$15.7 million available in its capital outlay fund. The sales surtax is set to expire in 2018, and the district has placed a measure on the November 2015 ballot to reauthorize the sales surtax for a term of 10 years.

The district's Series 2005 COPs (\$9.64 million) and Series 2006 COPs (\$6.64 million) were placed directly with Bank of America, N.A. (Long Term Rating A2/Stable). Both COPs bear the same floating rate equal to 63.7% of 1-month LIBOR plus a credit spread of 65 basis points. The COPs cannot be put back to the district prior to maturity. Concurrent with the placement of each COP, the district entered into floating to fixed rate swaps with Bank of America. The district pays fixed rates of 3.89% on the Series 2005 COPs, and 4.106% on the Series 2006 COPs, and receives an identical floating rate - 63.7% of 1-month LIBOR plus 65 basis points - on both swaps. The COP principal amounts and swap notional amounts amortize on identical terms for both swaps. The swaps had a negative fair value of \$966,000 to the district as of a 6/30/2013 valuation. The Series 2006 COPs mature in February 2015, and the Series 2005 COPs in February 2018, with each swap expiring upon maturity of the associated COP.

The district participates in the Florida Retirement System (FRS), a state-managed, multi-employer cost-sharing plan. The district makes its annual required contribution (ARC) in accordance with rates determined by the Florida Legislature. The state plan had an as-reported funded ratio of approximately 85.9% as of July 1, 2013. The district's 3-year average adjusted net pension liability (ANPL) represented a moderate 1.13 times operating revenues.

WHAT COULD CHANGE THE RATING UP:

- Increased cash and reserves
- Sustained tax base growth

WHAT COULD CHANGE THE RATING DOWN:

- Weakening of cash and reserves
- Significant increase in debt burden

KEY STATISTICS:

Lessor: Florida School Boards Association

Lessee: Escambia County School Board

Full Value, 2013: \$24.5 billion

Full Value Per Capita, 2013: \$81,390

Median Family Income as % of US Median: 83.3%

Fund Balance as % of Revenues: 14.7%

5-Year Dollar Change in Fund Balance as % of Revenues: 5.6%

Cash Balance as % of Revenues: 17.2%

5-Year Dollar Change in Cash Balance as % of Revenues: 1.7%

Institutional Framework: "A"

5-Year Average Operating Revenues / Operating Expenditures: 1.01x

Net Direct Debt as % of Full Value: 0.2%

Net Direct Debt / Operating Revenues: 0.14x

3-Year Average ANPL as % of Full Value: 2.58%

3-Year Average ANPL / Operating Revenues: 1.13x

The principal methodology used in this rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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Analysts

Moses Kopmar
Lead Analyst
Public Finance Group
Moody's Investors Service

John Incorvaia
Backup Analyst
Public Finance Group
Moody's Investors Service

Douglas Kilcommons
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

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