

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's upgrades to A2 the City of Covington, KY's General Obligation Bonds; outlook is positive**

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28 Mar 2019

New York, March 28, 2019 -- Moody's Investors Services has upgraded to A2 from A3 the underlying rating on the City of Covington, KY's outstanding general obligation bonds, affecting \$37 million in rated debt. The outlook is positive.

#### RATINGS RATIONALE

The upgrade to A2 reflects the material improvement in the city's liquidity and reserve position supported by recently implemented fiscal policies and enhanced expenditure controls. The A2 rating also incorporates the city's moderately-sized tax base benefiting from its proximity to the City of Cincinnati, OH (Aa2 stable), below-average resident income levels, and above-average but manageable debt and pension burdens.

#### RATING OUTLOOK

The positive outlook reflects our expectation that the city's cash and reserves will continue to improve and then stabilize at sound levels as the city continues to adhere to formalized policies, ensuring operating sustainability, and closely manage expenditures.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Strengthened reserves and liquidity to levels commensurate with higher rated entities
- Decreased debt burden
- Substantial tax base expansion and improved resident income levels

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Deterioration of financial position resulting in reduced financial flexibility
- Significant contraction in tax base and weakened resident income levels
- Material increase in debt burden

#### LEGAL SECURITY

The city's outstanding general obligation bonds are payable from an annual levy on all taxable property in the city. The full faith, credit and taxing power of the city is irrevocably pledged to the prompt payment of the bonds.

#### USE OF PROCEEDS

Not applicable.

#### PROFILE

The City of Covington, KY encompasses 13.7 square miles in Northern Kentucky (Commonwealth of Kentucky, Aa3 stable) in Kenton County, KY (Aa2), across the Ohio River from the City of Cincinnati, OH (Aa2 stable). The city is governed by a five-member board of commissioners, consisting of a mayor elected to a four-year term and four commissioners elected to two-year terms. According to the most recent U.S. Census Community Survey, the city's population totaled 40,578 in 2017, which represents a modest 1.0% decline since 2010.

#### 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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