

Rating Action: Moody's upgrades Buncombe County, NC's Series 2014B LOBs to Aa1; outlook stable

10 Jan 2023

New York, January 10, 2023 -- Moody's Investors Service has upgraded Buncombe County, NC's Taxable Limited Obligation Bonds, Series 2014B to Aa1 from Aa2. Concurrently, we have affirmed the county's Aaa issuer rating and the Aa1 rating on all other outstanding limited obligation bonds (LOBs). The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. This action concludes a review for possible upgrade initiated on November 3, 2022 in conjunction with the release of the US Cities and Counties Methodology. The county's outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating reflects the county's position as a regional economic center with strong economic growth and wealth levels, as well as low long-term liabilities and fixed costs. While reserves are below medians for the rating category, fund balance and liquidity has historically been very stable, benefiting for formal policies, conservative budgeting and proactive management.

The Aa1 rating on all LOBs is notched once below the county's Aaa issuer rating to reflect the risk of annual non-appropriation, as well as the more essential nature of the pledged assets.

RATING OUTLOOK

The stable outlook reflects the county's growing tax base, which continues to drive increased revenues that support the county's sound financial position. The outlook also incorporates the county's low long-term liabilities and fixed costs, which provide expenditure flexibility and support long-term fiscal stability.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant weakening of income and wealth levels
- Deterioration of financial position
- Substantial increase in long-term liabilities

LEGAL SECURITY

Debt service on the Limited Obligation Bonds is secured by the county's pledge to make annual debt service appropriations. The essential nature of the projects and pledged assets somewhat mitigates the risk of non-appropriation by the county. All LOBs issued under the 2010 Indenture, which include the 2010 A-C, 2012A, 2014A&B and 2020 LOBs (not all of which are rated by Moody's), have a security interest in the courthouse and courts buildings, Asheville Middle School and health services facilities. All LOBs issued under the 2015 Indenture, which include the 2015 and 2018 LOBs, have a security interest in an intermediate school, a high school, the Monford North Star Academy and a human services building.

PROFILE

Buncombe county is located in western North Carolina. The county seat of Asheville (Aaa stable) is approximately 100 miles northwest of Charlotte. The county has a population of 270,000 and is the seventh most populous county in the state. It serves as a major economic hub for the region and as a tourist destination for its location in the heart of the Blue Ridge Mountains.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Lauren Von Bargaen
Lead Analyst
REGIONAL_NE
Moody's Investors Service, Inc.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Valentina Gomez
Additional Contact

REGIONAL_NE
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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