

Rating Action: Moody's assigns Aa2 lease rating to Baldwin County, AL's Series 2021 Warrants

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New York, April 28, 2021 -- Moody's Investors Service has assigned a Aa2 lease rating to Baldwin County, AL's \$29.0 million Building Revenue Warrants, Series 2021 (Jail Project). Moody's maintains the county's Aa1 issuer rating, Aa1 rating on its outstanding general obligation limited tax (GOLT) debt, and Aa2 rating on its outstanding revenue debt.

The issuer rating represents Moody's assessment of hypothetical debt of the county supported by a general obligation unlimited tax (GOULT) pledge. The county does not currently have any outstanding debt supported by a GOULT pledge. The pledge supporting the county's outstanding general obligation debt is limited based upon Alabama's (Aa1 stable) constitutional property tax limits.

RATINGS RATIONALE

The Aa1 issuer rating reflects the county's robust financial position, negligible debt burden, and healthy taxable base exhibiting strong growth.

The absence of distinction between the issuer and GOLT ratings reflects the county's full faith and credit pledge supporting all general obligation debt.

The Aa2 lease rating is one notch below the issuer rating due to appropriation risk of the lease payments and the essentiality of the project that the debt is financing.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Materially improved financial position (Issuer and GOLT rating)
- Improved wealth levels (Issuer and GOLT rating)
- Upgrade of the county's Issuer rating (Lease rating)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material and sustained deterioration of reserves and liquidity (Issuer and GOLT rating)
- Significant tax base contraction (Issuer and GOLT rating)
- Excessive debt burden expansion (Issuer rating)
- Downgrade of the county's Issuer rating (Lease rating)

LEGAL SECURITY

The Series 2021 warrants are secured by revenues derived by the Baldwin County Public Building Authority from the year-to-year leasing of the jail facility to Baldwin County. The authority has no taxing power. Under the lease agreement, the county agrees to pay from current revenues basic rent equal to principal and interest on the bonds in each fiscal year that the lease agreement is in effect. The lease is subject to annual appropriation by the county. In the event of non-renewal by the county, the county must vacate the facility and the PBA can re-let the facility. The Series 2020 warrants are secured by the same pledge.

All of the county's remaining rated debt is secured by its full faith and credit pledge. Revenues of the county legally available for payment of the principal of and interest on the bonds include, sales, occupational,

business and other license taxes.

USE OF PROCEEDS

Proceeds from the sale of the Series 2021 warrants will be used to finance additions and renovations to the county jail.

PROFILE

Baldwin County is located on the Gulf of Mexico, directly across the Mobile Bay from Mobile County (Aa1 stable). The county has a population of over 200,000.

METHODOLOGY

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in January 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1260202 . Alternatively, please see the Rating Methodologies page on www.moody.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.moody.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.

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Gregory Sobel
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

Valentina Gomez

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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