



Rating Action: Moody's Ratings assigns Aaa to McKinney, TX's GOLT bonds and certificates, Aa1 to water and sewer revenue bonds; outlook is stable

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New York, April 28, 2025 -- Moody's Ratings (Moody's) has assigned Aaa ratings to the City of McKinney, TX's proposed \$34 million General Obligation Bonds, Series 2025A, \$28 million General Obligation Refunding Bonds, Series 2025B, and \$27 million Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025. We have also assigned a Aa1 rating to the proposed \$26 million Waterworks and Sewer System Revenue and Refunding Bonds, Series 2025. We maintain the city's Aaa issuer and general obligation limited tax (GOLT) ratings. We also maintain the Aa1 rating on the city's waterworks and sewer enterprise. The outlook is stable. Post-sale, the city will have approximately \$520 million of GOLT debt outstanding and \$290 million of water and sewer revenue debt outstanding.

RATINGS RATIONALE

The Aaa issuer rating reflects the city's solid economic growth driven by ongoing commercial and residential development further supported by its location in the Dallas/Fort Worth metropolitan area. The city's resident incomes are strong at 148% of the nation. The rating also reflects strong fiscal management and long-term forecasting that has led to stable financial performance and very strong reserve levels with available fund balance and liquidity ratios equal to 53% and 126%, respectively. The rating also incorporates the city's low 196% long-term liabilities ratio that will remain manageable as the tax base and revenues continue to grow.

The lack of rating distinction between the Aaa issuer rating and the Aaa GOLT rating reflects the ample taxing headroom under the limited tax cap.

The Aa1 water and sewer revenue rating reflects a growing customer base with stable financial performance and liquidity of 253 days cash on hand, and a manageable debt profile at 1.5 times operating revenues with plans for additional debt. Legal provisions are satisfactory, though the sum sufficient rate covenant is weaker than similarly rated peers.

RATING OUTLOOK

The stable outlook reflects the expectation that the city's economy will continue to grow, fueled by demand from population growth and its proximity to regional employment centers. Financial operations will remain strong backed by prudent fiscal management that includes conservative budgeting practices.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable (issuer and GOLT)
- Trend of strong operating performance leading to sustained liquidity equal to over 250 days cash on hand (water and sewer revenue)
- Continued growth of customer base and size of operations (water and sewer revenue)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Trend of imbalanced operations leading to a decline in fund balance to below 35% of revenues (issuer and GOLT)
- Significant and sustained increase in leverage to above 200% of revenue without corresponding tax base and revenue growth (issuer and GOLT)
- Deterioration of debt service coverage to below two times (water and sewer revenue)
- Increase in debt to over two times operating revenue (water and sewer revenue)

PROFILE

The City of McKinney, the county seat of Collin County (Aaa stable), is located 30 miles north of downtown Dallas (City of) (A1 negative) on US Highway 75. The current population of the city is estimated at about 215,000.

METHODOLOGY

The principal methodology used in these general obligation ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. The principal methodology used in this revenue rating was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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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 on <https://ratings.moodys.com/rating-definitions>.

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