

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa2 to City of Dubuque, IA's GO Bonds

23 Jan 2025

New York, January 23, 2025 -- Moody's Ratings (Moody's) has assigned Aa2 ratings to the City of Dubuque, IA's General Obligation Corporate Purpose Bonds, Series 2025A, Taxable General Obligation Corporate Purpose Bonds, Series 2025B, and Taxable General Obligation Urban Renewal Bonds, Series 2025C, with an estimated par amounts of \$6.4 million, \$8.4 million and \$8.9 million respectively. We maintain the city's Aa2 issuer rating and Aa2 rating on the outstanding general obligation unlimited tax (GOULT) debt. Following the sale, the city will have about \$218 million of total debt outstanding.

RATINGS RATIONALE

The Aa2 issuer rating reflects the city's healthy economic base, which serves as a regional economic center. Full value per capita and adjusted resident income are solid at around \$109,000 and 98% respectively, though weaker than Aa peers, in part because of a large student population. Available fund balance was strong at around 60% of revenue at the close of fiscal 2023 (year-end June 30), and cash was stronger at 85% of revenue. The city's available fund balance will likely remain well over 45%, despite some planned draws in fiscal 2024 and fiscal 2025 to spend down federal funds from the pandemic. Despite the state adopting new property tax restrictions, revenue raising flexibility remains strong because the city maintains significant margin in its employee benefits fund and is not utilizing its emergency levy. The long-term liabilities ratio will likely remain well under 300% inclusive of the current issuances and future borrowing plans, and fixed-costs ratio will remain well below 20%.

The Aa2 rating on the GOULT bonds is at the same level as the city's Aa2 issuer rating because the city has pledged its full faith, credit and taxing power for repayment of the bonds.

RATING OUTLOOK

We do not assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Decrease in long-term liabilities ratio nearing 150% of revenue
- Significant strengthening of resident income and full value per capita in line with peers

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Increase in the long-term liabilities ratio to above 350% of revenue
- Substantial declines in available fund balance levels below 35% of revenue

LEGAL SECURITY

Debt service on the city's outstanding GOULT debt, as well as the 2025A, 2025B and 2025C bonds, is backed by a dedicated property tax levy, unlimited as to rate and amount.

USE OF PROCEEDS

The bonds will finance various infrastructure projects within the city, including fire station facility improvements (Series 2025A), parking ramp and ice arena projects (Series 2025B), and the Schmitt Island Amphitheater project (Series 2025C).

PROFILE

The City of Dubuque is located in northeastern Iowa, bounded by Wisconsin on the northeast and Illinois on the southeast. The city is roughly 63 miles northeast of Cedar Rapids and has a population of around 60,000. Governmental services include public safety (police and fire), community development, culture and recreation, regional airport, and other governmental services. The city's business-type activities include sewage disposal, water, stormwater, solid waste and parking facilities.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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