

MOODY'S

RATINGS

Rating Action: Moody's upgrades Kutztown, PA's issuer and GOULT rating to A1 from A2

04 Oct 2023

New York, October 04, 2023 -- Moody's Investors Service has upgraded the borough of Kutztown, PA's outstanding issuer and general obligation unlimited tax ratings to A1 from A2. The borough has approximately \$14 million in outstanding debt.

RATINGS RATIONALE

The upgrade of the issuer rating to A1 from A2 reflects the borough's continued strong financial performance that is expected to remain healthy through fiscal 2023 year-end. The borough's operations are driven by its utility funds, mainly its electric, all of which are performing well year-to-date. Leverage is very low and should remain below average as the borough does not have material borrowing plans in the near-term. Its economy is stable but resident income and wealth are below average, in part, driven by the presence of Kutztown University.

The A1 ratings on the borough's GOULT bonds is at the same level as the issuer rating because the borough has pledged its full faith and credit and taxing authority for repayment of bonds.

RATING OUTLOOK

Moody's typically does not assign to local government credits with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material improvement in resident income and wealth
- Expansion of the local economy
- Growth in reserves comparable to higher rated entities

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Contraction of the local economy
- Decline in reserves
- Material growth in leverage

LEGAL SECURITY

The borough's outstanding bonds benefit from by the borough's unlimited tax general obligation pledge.

PROFILE

Kutztown is a borough in Berks County (Aaa stable), Pennsylvania (Aa3 positive), between Allentown (A3 stable) and Reading (Baa2 stable) with a population of around 5,000.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moody.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moody.com/rating-definitions>.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on <https://ratings.moody.com>.