MOODY'S
INVESTORS SERVICE

Rating Update: Moody's downgrades Columbus, GA's GOLT rating to Aa2

Global Credit Research - 24 Sep 2015

Downgrade affects $127.6M of outstanding debt

COLUMBUS (CITY OF) GA
Cities (including Towns, Villages and Townships)
GA

NEW YORK, September 24, 2015 --Moody's Investors Service has downgraded the City of Columbus, GA's general obligation limited tax (GOLT) rating to Aa2 from Aa1, affecting $127.6 million in debt. We have also removed the stable outlook.

SUMMARY RATING RATIONALE

The downgrade to Aa2 reflects the city's narrowed, though still healthy, reserve position and potential reductions at Fort Benning, which has historically anchored the city's tax base but may cause near term pressure on the local economy. The rating also reflects the city's manageable debt burden, below average wealth levels, and a sizable tax base.

OUTLOOK

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

WHAT COULD MAKE THE RATING GO UP

-Increased reserves and cash

-Significant growth and diversification of the tax base and local economy

WHAT COULD MAKE THE RATING GO DOWN

-Economic pressure due to reductions at Fort Benning

-Declines in reserves or cash

STRENGTHS

-Healthy, though narrowing, reserves

-Manageable debt burden

CHALLENGES

-Exposure to economically sensitive revenues

-Below average socioeconomic factors, partially driven by large military presence

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

TAX BASE AND ECONOMY: FORT BENNING PRESENCE DOMINATES LOCAL ECONOMY

Located approximately 100 miles southwest of Atlanta (Aa2 positive) along the Alabama border (Aa1 stable), the $12.1 billion tax base has evolved from its historically textile manufacturing base into a more service-based economy with TSYS, a credit card processing facility, AFLAC Incorporated (senior unsecured rated A3 stable) and various hospital and healthcare institutions among the top private employers. Fort Benning Military Reservation remains the largest employer overall with 37,600 employees, one third of the countywide labor force, on an 182,000 acre base encompassing portions of Muscogee and Chattahoochee counties. While the base has provided stability to the city, there is the potential that near-term troop reductions and future base realignment activities may hinder the long-term viability of the base. Under the current proposal, the army plans to cut 2,600 of the soldiers currently at Fort Benning. Though the base is tax exempt and will not affect property taxes, sales tax revenues will likely be impacted as jobs are cut. Wealth levels are below state and national medians, with 2010 per capita income representing 88.3% and 80.5% of the Georgia and national averages, respectively. Fiscal 2014 full value per capita of $61,211 is below-average but skewed downward due to the significant tax-exempt presence. Unemployment in July 2015 was 7.9%, slightly above the 6.5% state average and 5.6% national average.

FINANCIAL OPERATIONS AND RESERVES: DIMINISHED RESERVES EXPECTED TO REMAIN LEVEL

The city's recently narrowed financial position will stabilize going forward given a projected operating surplus in fiscal 2015. The city's reported operating deficits in the two most recent fiscal years, decreasing reserves from $48 million in fiscal 2013 (26.5% of revenue)to $43 million in fiscal 2014 (23.5% of revenue). The recent operating imbalance was partially attributable to the remittance of a 3 mill tax to the hospital authority to pay for indigent care which was greater than the amount collected, given a collection rate of 97.3%. However, the terms of the intergovernmental agreement between the city and the authority have been amended so that the city is only required to remit the amount of tax collected. The city has allocated $6.3 million of fund balance to write off the uncollectable revenue over time. As a result, available fund balance has decreased from $48.5 million (26.5% of revenue) in fiscal 2013 to $33.4 million (18.1% of revenue) in fiscal 2014. Available fund balance is currently at the lower end of the city's policy to maintain unassigned reserves equal to between 60-90 days of expenditures.

The city collects a 1% Other Local Option Sales Tax (OLOST), which is available for operations and debt service. The OLOST has no sunset date. As an economically sensitive revenue, sales tax revenues will likely be impacted by reductions at Fort Benning.

Though the city budgeted a fund balance appropriation of $3.9 million in fiscal 2015, management estimates that year ended with a surplus close to $5 million due to new employee contributions to health and pension costs. The fiscal 2016 budget contains a $1.3 million fund balance an appropriation. Future rating reviews will incorporate the city's ability to maintain current reserve levels while managing potential swings in OLOST collections.

Liquidity

Cash reserves are expected to remain adequate. As of fiscal 2014, net cash is approximately $25.3 million, or 13.28% of revenue.

DEBT AND PENSIONS: AVERAGE DEBT RATIO; NO FUTURE DEBT PLANS

The city's 1.1% debt burden is average and should remain manageable given the use of the OLOST to support debt service, and moderate future borrowing plans. Amortization of principal is slow with just 35.1% retired in 10 years. Future borrowing plans are currently limited to the completion of a road project that will likely be done through private financing.

Debt Structure

All of the city's debt is fixed rate.

Debt-Related Derivatives

The city is not party to any interest rate swaps or other derivative agreements.

Pensions and OPEB

The city has a low pension burden, based on the unfunded liabilities for its Moody's-estimated share of two defined benefit plans. Moody's adjusted net pension liability (ANPL) for the city as of fiscal 2014, under our methodology for adjusting reported pension data, is $147 million, or 0.77 times operating revenues. The three-year average ANPL is low at 0.73 times operating revenue. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The combined ARC was $20.8 million in fiscal 2014, a manageable 11% of operating expenditures. The adjustments are not intended to replace the city's reported liability information, but to improve comparability with other rated entities.

MANAGEMENT AND GOVERNANCE

The city benefits from conservative budgeting practices and a formal reserve target, equal to 60-90 days reserve.

Georgia counties have an institutional framework score of "Aaa" or very strong. Counties rely heavily on property tax revenue to fund operations and are not subject to any property tax or levy caps. Expenditures are predictable and counties have a high ability to reduce expenditures if necessary as there are no unions in the state.

KEY STATISTICS

- Full Value (in $000s): $12,145,140

- Full Value Per Capita ($): $61,211

- MFI (as % of US median): 80.47%

- Fund Balance as % of Revenues: 17.57%

- 5-Year Dollar Change in Fund Balance as % of Revenues: -2.59%

- Cash Balance as % of Revenues : 13.28%

- 5-Year Dollar Change in Cash Balance as % of Revenues: -6.75%

- Institutional Framework: Aaa

- 5-Year Average of Operating Revenues / Operating Expenditures: 0.99x

- Net Direct Debt / Full Value (%): 1.09%

- Net Direct Debt / Operating Revenues: 0.7x

- 3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%): 1.14%

- 3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues: 0.7x

OBLIGOR PROFILE

The City of Columbus and Muscogee County combined in 1971 to form an entity legally named Columbus, Georgia, the state's first consolidated government. The consolidated government includes all portions of Muscogee County, including the former Bibb City which was annexed by Columbus in 2001. The consolidated government levies separate property tax rates based on level of service for its two Urban Service Districts and a third General Service District, with rates for operating purposes subject to a locally-adopted 9-mill cap. Moody's treats the consolidated government as a county for rating purposes, as its property tax base includes all areas previously treated as Muscogee County. However, because of its name, we refer to the consolidated government in this report as a "city."

LEGAL SECURITY

The bonds are secured by the consolidated government's full faith and credit, pursuant to any intergovernmental contract, limited by the locally imposed property tax cap.

USE OF PROCEEDS

Not applicable.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt 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 rating action on the support provider and in relation to each particular 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 ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Rebecca Rasis
Lead Analyst
Public Finance Group
Moody's Investors Service

Lauren Von Bargen
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S
INVESTORS SERVICE

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S