

MOODY'S INVESTORS SERVICE

Rating Action: Moody's assigns Aa1 to Idaho Bond Bank Authority's 2021A and 2021B Ref. Rev. Bonds; outlook stable

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New York, June 04, 2021 -- Moody's Investors Service has assigned Aa1 ratings to the Idaho Bond Bank Authority's \$1.85 million Refunding Revenue Bonds, Series 2021A and \$36.6 million Refunding Revenue Bonds, Series 2021B (Federally Taxable). The outlook is stable. The bonds are expected to price the week of June 14.

RATINGS RATIONALE

The Aa1 rating is based on the pledge of the State of Idaho's (Aa1 stable) sales tax revenues to the bonds, and reflects the solid, statewide economic base for tax collections, the breadth of the revenue pledge, as well as the strong revenue growth trend and ample debt service coverage. The rating is equivalent to the state's Issuer Rating due to the strength of the pledge on an important general fund revenue; the pledge is reinforced by a statutory lien and a continuing appropriation, and sales taxes comprised 42% of general fund revenues in fiscal 2020. In addition, the rating is supported by the authority's excellent mechanisms for monitoring and ensuring timely debt service payments, as well as the state's ability to intercept intergovernmental revenues disbursed to most underlying participants.

RATING OUTLOOK

The stable outlook reflects the outlook on the state, and the expectation that sales tax revenues will continue to provide solid debt service coverage due to steady economic growth, low leverage, and proactive program management by the authority and the state.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- An upgrade of the state

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- A downgrade of the state
- Significant additional leveraging of state sales tax revenues would reduce available resources to support debt service
- Substantial, sustained decline in state sales tax revenues would pressure debt service coverage

LEGAL SECURITY

The IBBA revenue bonds are ultimately secured by the statutory lien and pledge of the state's general fund sales tax revenues to pay debt service in the event that participants do not make timely payments on their loans. If there is a shortfall, the State Treasurer must notify the State Controller at least 5 days prior to the debt service date, and state sales taxes will be transferred to the authority. There is an additional bonds test that requires sales taxes provide at least 3x debt service coverage of the authority's bonds and all parity debt.

Debt service is also secured by, and paid first from participants' loan repayments to the authority. Loan payments are due 15 days prior to debt service, providing ample time for the authority to manage any shortfall. The participants' loans are secured primarily by property taxes and water and sewer revenue. Nearly all the loan pledges are also enhanced by a state intercept mechanism that will redirect revenues collected by the state on behalf of the local governments directly to the trustee, if payments are not received sufficiently in advance of debt service payment dates.

While Idaho is not required to maintain the sales tax rate at its current level, the state has covenanted with bondholders to assess and collect pledged revenues in amounts sufficient to meet debt service requirements on these bonds.

USE OF PROCEEDS

Proceeds of the Series 2021A bonds will refund a USDA loan to the City of Hazelton and the Shelley-Firth Fire District for net present value savings to the underlying borrowers.

Proceeds of the Series 2021B bonds will refund outstanding IBBA bonds for net present value savings, with no extension of maturity.

PROFILE

The Idaho Bond Bank Authority provides loans to local governments for infrastructure projects. The Idaho Bond Bank program was authorized in 2001 by voters and by the Idaho Bond Bank Authority Act. The legislature approved an amendment to the constitution and voters approved creation of the Idaho Bond Bank and the pledge of state sales taxes in 2000.

METHODOLOGY

The principal methodology used in these ratings was US Public Finance Special Tax Methodology published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260087. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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Baye Larsen
Lead Analyst
State Ratings
Moody's Investors Service, Inc.
One Stamford Plaza
263 Tresser Boulevard
Stamford 06901
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Nicholas Samuels
Additional Contact
State Ratings
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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