

**Rating Action: Moody's upgrades Detroit, MI's GO bonds to Ba2; outlook remains positive**

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New York, March 09, 2022 -- Moody's Investors Service has upgraded the rating on the City of Detroit, MI's general obligation unlimited tax (GOULT) bonds to Ba2 from Ba3. The outlook remains positive. The city has about \$2 billion of debt outstanding.

**RATINGS RATIONALE**

The upgrade to Ba2 reflects the city's healthy financial position supported by strong management that has successfully navigated challenges, such as weak property tax wealth, volatile revenue structure and limited revenue raising flexibility. The rating also incorporates the city's significant leverage from debt and pensions. Fixed costs are moderate, but will increase because of rising pension contributions.

**RATING OUTLOOK**

The positive outlook reflects the likelihood that the rating will move upward if financial operations and reserves continue to strengthen, positioning the city well to address growing pension costs and future revenue downturns.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Robust revenue growth that makes rising fixed costs easier to accommodate
- Strengthening of full value per capita, median family income and population trends
- Accumulation of additional resources in an irrevocable trust to reduce budgetary risk of rising pension costs

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- Material growth in leverage, fixed costs or capital needs, or draws on operating fund balance that leave inadequate reserves to mitigate challenges
- Failure to sustain progress towards meeting future increases in pension contributions
- Decline in the tax base, weakening of labor market trends or an acceleration of depopulation

**LEGAL SECURITY**

Outstanding GOULT bonds are full faith and credit general obligations backed by the city's pledge to levy property taxes without limitation as to rate or amount as authorized by voters.

**PROFILE**

According to the 2020 census, the city has a population of just under 640,000, making it one of the 30 largest cities in the US and the largest city in Michigan (Aa1 stable). The city emerged from bankruptcy in 2014.

**METHODOLOGY**

The principal methodology used in these ratings was US Local Government General Obligation Debt published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260094](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.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

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