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Michigan Finance Authority (MI): Fitch New Issue Report

Key Rating Drivers Portfolio Credit Risk: The pool is large with over 370 obligors; the top 10 obligors account for about 48% of the total loan portfolio, when security of obligations is consolidated. Great Lakes Water Authority's (GLWA) sewer and water systems, the program's largest obligors, are rated 'AA-'/'A+' (senior lien/second lien) and 'A+'/'A' (senior lien/second lien), respectively by Fitch. When consolidated across liens, GLWA's sewer obligations represent about 19% and water obligations are about 6% of the total pledged portfolio. The remaining top 10 obligors range in size from less than 2% to about 4%. Financial Structure: Fitch's cash flow modeling demonstrates that annual program resources are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle, as derived using its PSM without causing an interruption in bond payments. The program's cash flows reflect projected minimum annual debt service coverage of about 1.4x. The program has about $23.2 million in debt service reserve funds, which are anticipated to be depleted by 2026 as associated bonds mature.

Access Report

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