

Rating Action: Moody's downgrades West Haven (City of), CT to Baa3; assigns negative outlook

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New York, November 10, 2017 -- Issue: General Obligation Bonds, Issue of 2017, Series A; Rating: Baa3; Rating Type: Underlying LT; Sale Amount: \$15,525,000; Expected Sale Date: 11/17/2017; Rating Description: General Obligation;

Issue: General Obligation Bonds, Issue of 2017, Series B; Rating: Baa3; Rating Type: Underlying LT; Sale Amount: \$9,635,000; Expected Sale Date: 11/17/2017; Rating Description: General Obligation;

Summary Rating Rationale

Moody's Investors Service has downgraded West Haven, CT's general obligation rating to Baa3 from Baa2, and assigned a Baa3 rating to the city's expected \$15.5 million General Obligation Bonds, Issue of 2017, Series A and \$9.6 million General Obligation Bonds, Issue of 2017, Series B. At the same time, we have revised the outlook to negative. This action concludes the review for possible downgrade initiated on October 16, 2017.

The downgrade to Baa3 reflects an increase in the city's General Fund deficit since the time of our last review. Although deficit financing bonds will cure the majority of the deficit as of fiscal year end 2016, the city incurred an additional deficit in 2017 and remains challenged to effectively match recurring revenues with recurring expenditures. The rating also reflects negative positions in funds outside the General Fund. The rating further incorporates the city's sizeable tax base that will benefit from a significant pipeline of local development, wealth and income indicators that average relative to national averages but below average for the state and an above average debt burden with future planned issuance.

Rating Outlook

The negative outlook reflects the belief that the city will remain challenged to balance operations in the near term despite its expected qualification for additional state oversight from the recently established Municipal Accountability Review Board.

Factors that Could Lead to an Upgrade (or removal of negative outlook)

- Sustained trend of balanced operations leading to improved financial position
- Material improvement in funds that are currently in deficit

Factors that Could Lead to a Downgrade

- Continued trend of operating deficits leading to further erosion of financial position in general fund or across all government funds
- Adverse decision by the state that does not allow pension amortization to be extended to 18 years
- Material growth of debt and or/ pension burdens

Legal Security

The bonds are secured by the city's general obligation unlimited tax pledge.

Use of Proceeds

Proceeds of the Series A bonds will be used to eliminate the city's outstanding deficit position as of 6/30/2016 in the amount of \$16.9 million. Proceeds of the Series B bonds will be used to finance various capital projects associated with West Haven's five-year CIP.

Obligor Profile

West Haven is city with a population of 56,000 located on the southern coast of Connecticut on Long Island Sound, approximately 40 miles southwest of Hartford (Caa3 negative) and west of New Haven (Baa1/RUR for downgrade).

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

Regulatory Disclosures

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Joseph Manoleas
Lead Analyst
Regional PFG Northeast
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Thomas Jacobs
Additional Contact
Regional PFG Northeast
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