

Rating Action: Moody's assigns Aa3 rating to Watertown, NY's \$6.3M GO Bonds

Global Credit Research - 27 Mar 2014

Affirms Aa3 on \$20M of parity bonds

New York, March 27, 2014 --

Moody's Rating

Issue: Public Improvement (Serial) Bonds, 2014 Series A; Rating: Aa3; Sale Amount: \$1,195,000; Expected Sale Date: 4/15/2014; Rating Description: General Obligation

Issue: Public Improvement (Serial) Bonds, 2014 Series B; Rating: Aa3; Sale Amount: \$5,110,000; Expected Sale Date: 4/15/2014; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned a rating of Aa3 to the City of Watertown, NY's \$1.2 million Public Improvement Serial Bonds Series 2014A and \$5.1 million Public Improvement Serial Bonds Series 2014B. At the same time, we have affirmed the Aa3 rating on approximately \$20 million of previously issued parity debt. The bonds are secured by the city's general obligation pledge as limited by the Property Tax Cap Act (Chapter 97 (Part A) of the Laws of the State of New York, 2011).

Proceeds of the current issue will be used to fund a wastewater treatment disinfection system, plus water meter replacements and other smaller equipment and projects.

SUMMARY RATING RATIONALE

The Aa3 rating reflects the city's solid financial reserves despite volatile revenue sources, and skilled management evidenced by long-term planning and projections. The rating also incorporates a relatively high debt burden, and a modestly sized tax base that is growing but exhibits socio-economic characteristics weaker than state and national medians.

STRENGTHS

Solid cash levels and financial reserves

Strong financial management with long-term planning and projections

CHALLENGES

Socio-economic characteristics that are weaker than state and national medians

Exposure to volatile revenue sources

WHAT COULD CHANGE THE RATING UP:

Significant improvement of the underlying tax base

WHAT COULD CHANGE THE RATING DOWN:

Reduction of reserves from the current level

Significant increase in debt burden

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.moody's.com for a copy of this methodology.

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