

Rating Action: Moody's assigns A1 to West Fargo, ND's GO Bonds

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New York, July 24, 2018 -- Moody's Investors Service has assigned a A1 rating to the city of West Fargo, ND's \$30.3 million Refunding Improvement Bonds of 2018, Series B. Moody's maintains the A1 on the city's outstanding long-term general obligation unlimited tax (GOULT) debt, A1 on outstanding sales tax debt and MIG 1 on outstanding short-term GO bond anticipation notes (BANs) debt. Following the sale, the city will have \$326 million of rated debt.

RATINGS RATIONALE

The A1 GO rating reflects the city's growing suburban tax base tied into a robust regional economy; healthy financial position; and a very high and growing debt burden that drives elevated fixed costs.

RATING OUTLOOK

The negative outlook reflects the city's growing debt burden. Given leverage is already very high, further growth could result in downward rating movement, especially if borrowing outpaces growth in the tax base and revenue base.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Sustained tax base and revenue growth that moderates the city's debt and fixed cost burdens

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Growth in the city's debt and fixed cost burdens
- Declines in fund balance or liquidity

LEGAL SECURITY

Debt service on the 2018, Series B bonds is expected to be paid from special assessments levied by the city against benefiting properties. However, debt service is ultimately secured by the general obligation unlimited tax pledge of city should assessments prove inadequate to pay debt

USE OF PROCEEDS

Proceeds of the Refunding Improvement Bonds of 2018, Series B will be used to finance the cost of improvements within various improvement districts of the city.

PROFILE

The city of West Fargo, ND is located in east central North Dakota (Aa1 negative) in the Fargo-Moorhead metropolitan area. The city's population has grown substantially, nearly doubling over the last 15 years from 14,940 in 2000 to 31,557 residents as of 2016 estimates.

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's.com for a copy of this methodology.

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