

**Rating Action: Moody's assigns an initial issuer rating of Aa2 to the City of Pittsburg, CA**

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09 Jul 2018

New York, July 09, 2018 -- Moody's Investors Service has assigned an initial issuer rating of Aa2 to the City of Pittsburg, CA.

**RATINGS RATIONALE**

The Aa2 issuer rating primarily reflects the city's strong financial position, with ample reserves and liquidity as well as its sizeable and growing tax base which is expected to continue to grow moderately in coming years. It also incorporates the city's elevated pension and OPEB liabilities, moderate net direct debt and high overlapping debt. The issuer rating is equivalent to the rating that we would assign to a typical General Obligation Unlimited Tax (GOULT) debt issue by the city, and is a consideration in our rating on the city's water revenue bonds.

**RATING OUTLOOK**

Outlooks are not normally assigned to credits with this level of debt outstanding.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- Continued growth in assessed valuation and socioeconomic indicators
- Significant reduction in the city's pension and OPEB liabilities

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- Sustained drawdown in reserves or liquidity
- Failure to manage future pension contribution increases
- Material decline in assessed valuation

**LEGAL SECURITY**

The assigned issuer rating is equivalent to what would likely be the city's general obligation bond rating in the event the city issued such debt. In California, general obligation bonds are secured by a dedicated, voter-approved property tax, which is restricted for use to the related bonds' debt service and therefore largely insulated from any operational challenges of the municipality. Security also benefits from a statutory lien.

**USE OF PROCEEDS**

Not applicable.

**PROFILE**

The City of Pittsburg is located in eastern Contra Costa County, at the confluence of the San Joaquin and Sacramento Rivers, 40 miles northeast of San Francisco. Incorporated in 1903 as a general law city, Pittsburg is home to a population of around 68,700 and has a five member council elected at large.

**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](http://www.moody.com) for a copy of this methodology.

**REGULATORY DISCLOSURES**

|                          |                        |
|--------------------------|------------------------|
| Highest Grade Credit     | Aaa                    |
| Very High Grade Credit   | Aa1, Aa2, Aa3          |
| High Grade Credit        | A1, A2, A3             |
| Good Credit Grade        | Baa1, Baa2, Baa3, Baa4 |
| Speculative Credit Grade | Ba1, Ba2, Ba3          |
| Very Speculative Credit  | B1, B2, B3             |

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