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Rating Action: Moody's upgrades Cottage Grove, OR's issuer and 2013A FF&C ratings to A2

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New York, July 10, 2018 -- Moody's Investors Service has upgraded the City of Cottage Grove, Oregon's issuer rating and outstanding Certificates of Participation, 2013A to A2 from Baa1. The certificates were issued through the Local Oregon Capital Assets Program and are outstanding in the amount of \$13.2 million.

RATINGS RATIONALE

The upgrades to A2 primarily reflect the city's consistently sound financial position given conservative financial management and a low debt burden. However, an elevated and growing net pension liability could pressure future financial flexibility. The city's tax base is modestly-sized but growing and the socioeconomic profile of this rural area is low compared to US norms.

The issuer rating is equivalent to what would be the city's general obligation bond rating. The lack of a rating distinction between the issuer and full faith and credit ratings reflect the strength of the full faith and credit pledge in Oregon.

RATING OUTLOOK

Outlooks are usually not assigned to local government with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant appreciation in socioeconomic measures
- Material reduction in net pension liability
- Substantial, sustained tax base growth

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Sustained deterioration of the city's financial position
- Substantial growth in balance sheet leverage and fixed costs burden from debt or net pension liability
- Significant downturn in tax base or socioeconomic measures

LEGAL SECURITY

The full faith and credit obligations are secured by the city's full faith and credit pledge of all legally available resources and debt service is not subject to appropriation. A portion of the Series 2013A debt was advance refunded in December 2017.

PROFILE

Cottage Grove is a small, rural city of approximately 9,889 residents located 20 miles south of Eugene (Aa1 stable) in Lane County (Aa2 issuer) in the lower Willamette River basin in Oregon.

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.

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