

**Rating Action: New Issue - Moody's assigns a Aa2 to Clarksville, TN's
Comb.Util. Ent. rev. debt**

Global Credit Research - 30 Nov 2017

New York, November 30, 2017 -- Issue: Water, Sewer and Gas Revenue Refunding Bonds, Series 2017; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$58,475,000; Expected Sale Date: 12/11/2017; Rating Description: Revenue: Government Enterprise;

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to the City of Clarksville Combined Utility Enterprise's (TN) \$58.5M Water, Sewer and Gas Revenue Refunding Bonds, Series 2017. Moody's currently maintains a Aa2 rating on the system's outstanding parity senior lien revenue bonds and the Aa3 on the subordinate lien bonds. The Aa2 rating reflects the large service area and strong local economy experiencing modest growth, well-managed financial position with sound debt service coverage and liquidity, above average debt profile expected to remain elevated given modest future debt plans, and satisfactory legal provisions. The Aa3 rating reflects the subordinate lien pledge with solid coverage. The subordinate lien debt matures in 2019.

Rating Outlook

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

Factors that Could Lead to an Upgrade

Reductions in leverage

Increased liquidity

Growth in system size and customer base

Factors that Could Lead to a Downgrade

Trend of declining coverage and liquidity

Material contraction of customer base and usage pressuring financial position

Increases in leverage beyond current expectation

Legal Security

The bonds are secured by a pledge of net revenues of the combined gas, water and sewer system.

Use of Proceeds

Proceeds will be used to partially advance refund the 2011 bonds and refund the 2013 bonds. The net present value savings are projected to be \$3.5 million or 5.9% of refunded principal.

Obligor Profile

Clarksville is located in close proximity to Fort Campbell in Montgomery County about 25 miles south of Hopkinsville, KY and 50 miles northwest of Metropolitan Government of Nashville and Davidson County with a population of about 146,806. The utility provides gas, water and sewer services to the city and portions of the county.

Methodology

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in October 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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