



(/en_US/web/guest/home) **Butler, PA, 2015A&B General Obligation Bonds Affirmed At 'B', Removed From CreditWatch Negative; Outlook Stable**

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NEW YORK (S&P Global Ratings) Feb. 16, 2018--S&P Global Ratings affirmed its 'B' rating on Butler, Pa.'s series 2015A and 2015B general obligation (GO) bonds. S&P Global Ratings removed the rating from CreditWatch, where it had been placed with negative implications Dec. 6, 2017. The outlook is stable.

The CreditWatch placement had reflected our uncertainty over the city's ability to meet a guarantee on a \$2 million line of credit that Butler's redevelopment authority had taken out. On Jan. 3, 2018, the hotel project the line of credit was funding was completed and sold for \$7.1 million. "The sale proceeds repaid the line of credit, subsequently relieving the city from the guarantee and exposure to this contingent liability," said S&P Global Ratings credit analyst Moreen Skyers-Gibbs.

While Butler is no longer exposed to contingent liquidity risks, in our opinion, risks remain over the city's lack of management oversight and an expressed unwillingness to support this debt obligation, which constrains the rating. Butler had missed previous payments related to its guarantee of its line of credit without a timely extension due to the lack of oversight, planning, and not including any appropriation since the guarantee's inception.

The 'B' rating also reflects our assessment of Butler's:

Very weak management;
Very weak liquidity;
Weak debt and contingent liability position;
Weak budgetary performance;
Very weak budgetary flexibility;
Weak economy; and
Strong institutional framework score.

We consider Butler's economy weak. The city, with an estimated population of 13,371, is in Butler County in the Pittsburgh MSA, which we consider to be broad and diverse. It has a projected per capita EBI of 70.1% of the national level and a low per capita market value of \$28,423 in 2016, which, in our view, indicates a limited tax base supporting the debt and is a negative credit factor.

The stable outlook reflects our opinion that there is no longer an impending risk of Butler's liquidity diminishing drastically and putting it at risk of meeting its obligations because it is no longer exposed to the contingent liquidity. The outlook also reflects the expected break-even operations the city is anticipating to post for fiscal 2017 and the city's balanced budget for 2018. As such, we do not expect to raise or lower the rating with the two-year outlook period.

We could lower the rating should Butler's liquidity weaken such that it is likely to have problems meeting its operating and debt obligations.

We could raise the rating if we believe that the city demonstrates the willingness to meet its obligations and achieve and sustain structural balance, subsequently improving its budgetary performance and budgetary flexibility; and if Butler significantly strengthened liquidity.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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