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In Elm City, a passing grade in credit rating

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Although the nation's economy may be teetering on the verge of a major recession, credit-rating analysts reported last week that New Haven seems to be safe from a financial downturn — for now.

Three New York City credit-rating firms last week gave the city of New Haven "investment-grade" credit-rating scores for the 2008 fiscal year. Mayor John **DeStefano** Jr. has lauded these ratings as indicative of the city's financial success, but a member of a local tax watchdog group said DeStefano is glossing over major shortcomings in the city's management of its money.

The ratings are determined by factors such as the city's debt, budget deficit, tax revenue and reserve rates. They are used to measure the likelihood that New Haven will default on general obligation bonds in the coming year.

Moody's Investors Service gave New Haven an A3 rating, while Fitch Ratings and Standard and Poor's both gave the city an A- rating. Although all three ratings are considered relatively high — or in the "investment-grade" category — New Haven's scores are all in the bottom tier of this category.

Moody's "investment-grade" category is divided into four tiers: An A3 rating is part of the third-highest tier. Within that tier, it is the third sub-category, so an A3 rating is the seventh-highest rating of 10 within the "investment-grade" category.

The city's rating is one tier lower than the national average, which is an Aa3 rating.

In a **City Hall** press release last Tuesday, DeStefano said the new credit ratings constitute a major success for the city and are a sign of its continued financial strength. He attributed the credit ratings to the "careful and strategic work" of the Office of Management and Budget.

The city received the same credit ratings this year as it did last year.

Moody's Investor Service analyst Alexandra Lerma called the city's A3 level score a "good rating" but stressed that New Haven still suffers from an increasing budget deficit and relatively low reserve levels, which means that the city loans out a lot more money than it has in the bank.

"There are a lot of strengths, and there are also a lot of pressures [facing the city]," Lerma said. "But they have a plan to increase funding for the deficit, and we expect for them to go ahead and correct it."

Lerma said New Haven's relatively good rating was helped in part by the University, which "adds strength into the economy" by reinvesting into the city.

Gary Doyens, a member of a local tax watchdog organization called the Citizen Action Network, said Yale's investments were the only thing that saved this year's credit ratings from falling lower than last year's scores. He called the mayor's announcement "misleading and overly jubilant," although he made it clear that he was not speaking on behalf of the Citizen Action Network.

"I don't know what the wonderful news is," Doyens said, referring to New Haven's fixed position in the bottom half of investment-grade ratings. "It's better than being in the basement, but it's nothing to crow about. It's something to be concerned about and to be addressing."

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The city will "strive to increase" these ratings in coming years, DeStefano said.

Thursday, New Haven sold $45 million worth of general obligation bonds, a bond that is backed by the city's taxing power and credit rating rather than collateral. The funds from this sale will go towards school construction, **facilities** repairs and **economic development** projects.

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