Moody's
INVESTORS SERVICE

Rating Update: Moody's Confirms A1 on Town of Geddes' (NY) GO debt

Global Credit Research - 27 Jan 2014

Confirmation affects approximately $2 million of rated GO debt

GEDDES (TOWN OF) NY
Cities (including Towns, Villages and Townships)
NY

Opinion

NEW YORK, January 27, 2014 --Moody's Investors Service has confirmed the A1 rating on the Town of Geddes' $2 million of outstanding rated general obligation (GO) debt. The bonds are secured by the town's general obligation pledge subject to the state's Property Tax Cap - Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011). Concurrently, we have removed the rating from review, as our confirmation of the rating resolves the earlier action. We placed the rating under review with direction uncertain on December 27, 2013 due to a lack of audited fiscal 2012 financial information, which we have since received.

SUMMARY RATINGS RATIONALE

The confirmation at A1 balances the current strength of the town's reserve position with our expectation that the town's fund balance will decline significantly over the medium-term.

STRENGTHS

Very healthy general and operating fund balances

Modest direct debt burden

CHALLENGES

Pressure from rising healthcare costs will likely reduce reserves over the medium-term

Weak economic recovery when compared to the state and nation

Ongoing tax appeals

Sales tax distribution from Onondaga County being phased out through 2013

DETAILED CREDIT DISCUSSION

While the town's reserves will likely decline in the near-term, we expect them to remain solid for the rating level over the longer-term. From 2008 to 2012, the town's available operating fund balance averaged 50.7% of revenues, which is very large relative to other similarly-rated municipalities. In fiscal 2012, the town finished with a $294,000 operating deficit, due largely to a $706,000 drop in sales tax revenue and a $268,000 increase in employee benefits, bringing its available operating fund balance to $3.5 million, or a still strong 52.8% of revenues. The drop in sales taxes is part of a new sales tax distribution agreement in Onondaga County (GO rated Aa1, rating under review), in which sales tax revenues for villages and towns are being phased out from 2011 to 2013. Going forward, we expect that employee benefits costs (up 35.5% since 2007) will continue to put pressure on the town's reduced revenue base. This is reflected in the town's projected 36% decline in reserves, which would bring available operating fund balance to a still satisfactory $2 million (30.8% of revenues) by the end of fiscal 2014.

The town is a suburb of Syracuse (GO rated A1, negative outlook), located along the southwestern portion of Lake Onondaga. The $769.3 million assessed value tax base has remained relatively stable over the last decade, with some modest declines in 2012 and 2013 due to ongoing tax appeals and the departure of a large taxpayer. Notably, WPS Syracuse, an electrical generation company that had been paying a PILOT to the town, will be joining the tax rolls in 2014 but is currently in the process of appealing its $31 million valuation. Should the appeal prove successful through the ongoing litigation process, the town's property tax receipts (80.5% of operating revenues) could be negatively impacted. Overall, we view the stability of the tax base as a source of strength, but note that the sluggish economy and declining labor force in Syracuse Metropolitan Statistical Area limit the potential for future growth.

The town has $2 million in GO debt and $540,000 of bond anticipation notes outstanding, equating to a minimal direct debt burden that is 0.3% of the assessed value. We expect the town's low amount of debt outstanding to remain manageable given the town's lack of upcoming debt plans and rapid 100% amortization rate over 10 years.

The town contributes to the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System. The town's pension burden is modest, as its combined adjusted net pension liability (ANPL) for these two multi-employer cost sharing plans is only 0.58% of the assessed value an 0.63 times operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities. We determined the town's share of liability for the state-run system in proportion with its contributions to the plan.

WHAT COULD MAKE THE RATING GO UP

Significant tax base growth

Trend of operating surpluses indicating financial stability

WHAT COULD MAKE THE RATING GO DOWN

Additional operating deficits beyond current projections

Material tax base declines

KEY STATISTICS:

2013 Assessed Valuation: $769.3 million

2013 Assessed Value per Capita: $44,944

2010 Median Family Income (as a % of US): $76,042 (117.7%)

FY 2012 Available Operating Fund Balance as a % of Operating Revenues: 52.8%

5-Year Dollar Change in Fund Balance as a % of Operating Revenues: -3.8%

FY 2012 Operating Net Cash Balance as a % of Operating Revenues: 52%

5-Year Dollar Change in Operating Net Cash Balance as a % of Operating Revenues: 5%

Institutional Framework: A

5-Year Average of Operating Revenues/Operating Expenses: 0.99x

2012 Net Direct Debt Burden: 0.3% of assessed value

Net Direct Debt as a % of Operating Revenues: 0.4%

Average Moody's Adjusted Net Pension Liability/Full Value: 0.6%

Average Moody's Adjusted Net Pension Liability/Operating Revenues: 0.63x

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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