

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's upgrades Monroe County (NY) GOs to A2; Outlook is stable

11 Jun 2019

Assigns A2 to \$76M 2019 Bonds

New York, June 11, 2019 -- Moody's Investors Service has upgraded to A2 from A3 Monroe County, New York's issuer rating and General Obligation Limited Tax (GOLT) rating. The issuer rating is equivalent to the county's hypothetical general obligation unlimited tax rating (GOULT); there is no debt associated with the GOULT security. Concurrently, Moody's has assigned an A2 rating to the county's \$51 million Public Improvement Serial Bonds - 2019A and \$25.6 million Public Improvement Serial Bonds - 2019B. The outlook is stable.

RATINGS RATIONALE

The upgrade to A2 is driven by a multi-year trend of positive operating results. Despite an accounting change impacting \$20 million in unassigned fund balance, the county maintained sound reserves. The rating further reflects the county's large tax base, sound socio-economic profile and manageable debt profile.

We consider the outstanding debt to be GOLT because of limitations under New York State law on property tax levy increases. The absence of distinction between the GOLT rating and the Issuer Rating reflects the county legislature's ability to override the property tax cap and the faith and credit pledge in support of debt service.

RATING OUTLOOK

The stable outlook reflects our expectation that reserves will continue to grow over the next two years but remain below peers nationally.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Continued growth in financial reserves
- Continued improvement in liquidity, including reducing reliance in cash flow borrowing
- Continued full funding of required pension contributions
- Improvements in county's enterprise funds

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Return to aggressive budgeting, particularly for economically sensitive revenues
- Reduction in reserves or liquidity
- Deferral of pension payments or significant increases in long-term liabilities

LEGAL SECURITY

The bonds are secured by a General Obligation pledge as limited by New York State's legislated Property Tax Cap (Chapter 97 (Part A) of the Laws of the State of New York, 2011).

USE OF PROCEEDS

The series 2019A Bonds will fund various capital projects across the county, the largest of which is improvements to county roads. The series 2019B Bonds will used to retire \$25.6 million in outstanding bond anticipation notes proceeds of which funded the revitalization and redevelopment of the airport.

PROFILE

Monroe County is located in western upstate New York. Home to the City of Rochester. The county has approximately 750,000 residents.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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