

CREDIT OPINION

6 November 2017

New Issue

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Pittsford (Town of) NY

New Issue – Moody's assigns Aaa to Pittsford, NY's \$8.8M 2017 GO Bonds; Outlook stable

Summary Rating Rationale

Moody's Investors Service has assigned a Aaa rating to the Town of Pittsford (NY)'s \$8.8 million Public Improvement Serial Bonds, 2017. Concurrently, Moody's maintains the Aaa rating on the town's outstanding limited obligation debt and Issuer Rating. The Issuer Rating is equivalent to the General Obligation Unlimited Tax (GOULT) rating we would assign to GOULT debt of the city; the limited tax rating is at the same level. The outlook remains stable.

The Aaa rating reflects the town's strong financial position, with high fund balance driven by conservative budgeting and structurally balanced operations. The rating also factors the town's wealthy tax base and moderate debt burden.

Credit Strengths

- » Healthy financial position with strong management
- » Above average socioeconomic profile
- » Property taxes, which account for 52.8% of revenues, are guaranteed in full by Monroe County

Credit Challenges

- » Moderately sized tax base is smaller than the Aaa state and national medians

Rating Outlook

The stable outlook reflects the expectation the town's financial condition will remain healthy, the result of conservative budgeting and strong financial management practices.

Factors that Could Lead to an Upgrade

- » Not applicable

Factors that Could Lead to a Downgrade

- » Sustained operating imbalance and depletion of reserves
- » Significant increase in debt burden
- » Substantial declines in the tax base and/or socioeconomic profile

Key Indicators

Exhibit 1

| Pittsford (Town of) NY | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Economy/Tax Base | | | | | |
| Total Full Value (\$000) | \$ 2,903,875 | \$ 2,910,341 | \$ 2,926,373 | \$ 2,971,861 | \$ 2,990,963 |
| Full Value Per Capita | \$ 98,721 | \$ 98,626 | \$ 98,941 | \$ 100,374 | \$ 101,019 |
| Median Family Income (% of US Median) | 191.0% | 186.1% | 184.7% | 181.8% | 181.8% |
| Finances | | | | | |
| Operating Revenue (\$000) | \$ 13,054 | \$ 13,625 | \$ 13,314 | \$ 14,533 | \$ 14,540 |
| Fund Balance as a % of Revenues | 120.1% | 115.9% | 112.8% | 108.9% | 106.0% |
| Cash Balance as a % of Revenues | 149.6% | 142.9% | 140.5% | 129.0% | 126.2% |
| Debt/Pensions | | | | | |
| Net Direct Debt (\$000) | \$ 12,217 | \$ 11,928 | \$ 11,235 | \$ 15,516 | \$ 15,777 |
| Net Direct Debt / Operating Revenues (x) | 0.9x | 0.9x | 0.8x | 1.1x | 1.1x |
| Net Direct Debt / Full Value (%) | 0.4% | 0.4% | 0.4% | 0.5% | 0.5% |
| Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x) | N/A | 1.0x | 1.1x | 1.2x | 1.1x |
| Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%) | N/A | 0.5% | 0.5% | 0.6% | 0.6% |

Source: Moody's Investors Service; Town's audited financial statements

Detailed Rating Considerations

Economy and Tax Base: Expanding Tax Base with Strong Wealth Level

The towns affluent, largely residential \$3 billion tax base will remain stable given its proximity to employment opportunities in nearby Rochester (Aa3 stable). Located in Monroe County (Baa1 positive), the full value of the tax base has demonstrated steady, modest growth over the past five years, increasing at a compounded annual average rate of 0.9%. Significantly, the towns tax base has grown in each of the last ten years, including through the recession. While the pace of growth has slowed in recent years, historical performance and additional construction should lead to further growth in the tax base. The town also benefits from the stabilizing presence of Nazareth College of Rochester (Baa2 stable) and St. John Fischer College. Wealth levels are well above average with median family income of 166.8% and 181.8% of state and national averages, respectively. Full value per capita is a satisfactory \$101,125.

Financial Operations and Reserves: Strong Fund Balance with Recent Draws for Capital Projects

The towns financial condition will continue to benefit from its record of strong fiscal management, as evidenced by ample reserve levels across its operating funds. In fiscal 2016 the town's combined operating funds (comprised of General, General Part Town, Highway, Part Town Highway, and Debt Service funds) ended with a decline in fund balance of \$537,000, resulting in available fund balance of \$19.3 million, or 106% of operating revenues. The town board overrode the tax cap in 2015 and 2017 to account for additional expenditures in capital projects. Management reports that the multiple years of fund balance draws are due to ongoing onetime capital improvements throughout the town, related to the town's most recent issuances. Despite recent draw downs on reserves, fund balance remains well in excess of the rating category.

Property taxes are the town's main source of operating revenue representing 54.0% of operating funds in fiscal 2016. Property taxes are collected in full by the town, and are guaranteed by the county. Sales tax revenue accounted for 23.7% of town operating revenue in fiscal 2016. Positively, sales tax receipts have remained steady over the five year period.

For fiscal 2017 (fiscal December 31 year-end) management expects capital outlays will require a further drawdown of reserves. The drawdown is expected to be larger than previous years but management is committed to maintain strong reserve levels. The town's overall credit profile is significantly supported by high levels of reserves and an inability to maintain such flexibility may present downward rating pressures.

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LIQUIDITY

The town's net operating cash position has been stable over the past five years, and was \$18.4 million, or a healthy 126.2% of operating fund revenues, at fiscal 2016 year-end.

Debt and Pensions: Manageable Debt Burden

Pittsford's debt burden will likely remain stable due to moderate future borrowing plans and satisfactory principal amortization. Post-issuance the town's debt burden is manageable despite being slightly above average at 1.68 times revenues.

Total fixed costs for fiscal 2017, including debt service, pensions and other post-employment contributions represented \$2.5 million or 16% of revenues.

DEBT STRUCTURE

All debt is fixed rate and amortization of principal is average, with 68.3% repaid within ten years. Debt service in fiscal 2016 comprised a manageable 7.9% of operating expenditures.

DEBT-RELATED DERIVATIVES

The town has no derivatives.

PENSIONS AND OPEB

The town's pension liability will remain average given adequate annual contributions. The town participates in the New York State and Local Employees Retirement System a multi-employer defined benefit retirement plan sponsored by the State of New York (Aa1 stable). The town fiscal 2016 contribution was \$852,000 or 5.6% of operating expenditures. The 2016 three year average net pension liability, under Moody's methodology for adjusting reported pension data, is \$16.7 million, or a manageable 1.2 times operating revenues.

Additionally, the town provides other post-employment benefits to its retirees hired before July 1, 2015. The OPEB liability is funded on a pay-as-you-go basis, and the town contributed \$393,000 (2.6% of expenditures). The total unfunded liability is \$19 million as of January 1, 2017, the most recent valuation report.

Management and Governance

Town management employs conservative budgeting and financial management as evidenced in the strong reserve levels and long-term planning for capital expenditures.

New York Cities have an Institutional Framework score of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. New York Cities operate within a state-imposed property tax cap, which limits the ability to increase their operating levy by the lesser of 2% or CPI. However, this cap can be overridden at the local level, without voter approval. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. New York State has public sector unions and the additional constraint of the Triborough Amendment, which limits the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be moderate, or between 5-10% annually.

Legal Security

The bonds are secured by a general obligation pledge as limited by the Property Tax Cap - Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011).

Use of Proceeds

Proceeds of the 2017 bond will be used to finance renovations and improvements to the town's community center.

Obligor Profile

The town of Pittsford is located in Monroe County, six miles southeast of the City of Rochester. The town covers approximately 25 square miles and has a 2014 estimated population of 29,577.

Methodology

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

Ratings

Exhibit 2

Pittsford (Town of) NY

| Issue | Rating |
|-----------------------------------------|-----------------------------------|
| Public Improvement (Serial) Bonds, 2017 | Aaa |
| Rating Type | Underlying LT |
| Sale Amount | \$8,800,000 |
| Expected Sale Date | 11/17/2017 |
| Rating Description | General Obligation Limited Tax |

Source: Moody's Investors Service

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