

Rating Action: Moody's upgrades Tuxedo, NY's issuer and GOLT ratings to Baa2 from Ba1; outlook remains positive

23 Apr 2020

New York, April 23, 2020 -- Moody's Investors Service has upgraded the issuer and general obligation limited tax (GOLT) ratings of the Town of Tuxedo, NY to Baa2 from Ba1. The outlook remains positive.

The issuer rating is equivalent to the town's hypothetical general obligation unlimited tax (GOULT) rating; there is no debt associated with the GOULT security.

RATINGS RATIONALE

The upgrade to Baa2 reflects the material improvement to the town's finances thanks to notable revenue enhancements and strict expenditure controls. Despite a wealthy tax base and only modest debt, years of budgetary imbalance had led to a negative cash and reserve position. The fund balance and cash are now positive and there are strong indications that this trend will continue.

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 town council's ability to override the property tax cap and the faith and credit pledge in support of debt service.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Tuxedo. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Tuxedo changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The positive outlook indicates our expectations that management will continue to maintain reserves and liquidity at a level commensurate with higher rating categories.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Maintenance of improved reserves and liquidity
- Material tax base growth

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Reversion to structural imbalance across operating funds
- Significant deterioration in net cash position
- Material decline in the tax base or resident wealth and incomes

LEGAL SECURITY

Debt service on the town's bonds is secured by the town's general obligation pledge as limited by New York State's Property Tax Cap-Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011).

PROFILE

The town of Tuxedo is located 35 miles north of New York City (Aa1 negative) in Orange County (Aa2 stable). It has a population of approximately 3,500.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published

in September 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1191097. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Douglas Goldmacher
Lead Analyst
Regional PFG Northeast
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Robert Weber
Additional Contact
Regional PFG Northeast
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653



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