Rating Action: Moody's revises Tuxedo, NY's outlook to positive, affirms Ba1 issuer and GOLT ratings

12 Dec 2018

New York, December 12, 2018 -- Moody's Investors Service has affirmed the Town of Tuxedo, New York's Ba1 GOLT and Issuer ratings. The outlook has been revised to positive from negative.

The issuer rating is equivalent to the town's hypothetical general obligation unlimited tax rating (GOLT); there is no debt associated with the GOLT security. We consider the outstanding debt to be GOLT because of limitations under New York State law on property tax levy increases.

RATINGS RATIONALE

The Ba1 issuer and GOLT ratings reflect the town's modest and stabilizing tax base, strong resident wealth and income, and very weak but improved financial position. The lack of distinction between the GOLT and Issuer ratings reflects both the town board's ability to override the property tax cap and the faith and credit pledge supporting debt service, a security feature of all general obligation debt issued by New York local governments.

RATING OUTLOOK

The positive outlook indicates our expectations that management will successfully eliminate the last remaining deficit positions in all funds and will continue the process of rebuilding reserves and liquidity to healthier position.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant improvement in operating fund balance and cash position
- Material tax base growth

FACTORS THAT COULD LEAD TO A DOWNGRADE/REMOVAL OF THE POSITIVE OUTLOOK

- 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

The GOLT bonds are secured by the town's 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).

PROFILE

The town of Tuxedo is located 35 miles north of New York City (Aa2 stable) in Orange County (Aa3 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 December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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