

ISSUER COMMENT

16 February 2018

RATING

General Obligation (or GO Related) ¹

A1 No Outlook

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Town of Liberty, NY

Annual Comment on Liberty Town

Issuer Profile

The Town of Liberty is located in Sullivan County in New York's Hudson Valley, approximately 80 miles northwest of New York City. The county has a population of 76,330 and a low population density of 79 people per square mile. The county's median family income is \$62,222 (2nd quartile) and the October 2017 unemployment rate was 4.5% (3rd quartile) ². The largest industry sectors that drive the local economy are health services, local government, and retail trade.

Credit Overview

The credit position for Liberty Town is solid. However, its A1 rating falls just short of the US cities median of Aa3. Key credit factors include a very healthy financial position, a negligible debt burden and a mid-ranged pension liability. It also reflects an adequate wealth and income profile and a small tax base.

Finances: The town has a robust financial position, which is very strong relative to the A1 rating assigned. The cash balance as a percent of operating revenues (43%) is slightly higher than the US median, and increased from 2012 to 2016. Furthermore, the fund balance as a percent of operating revenues (45.2%) exceeds other Moody's-rated cities nationwide.

Debt and Pensions: The debt and pension liabilities of Liberty Town are low overall and are a credit strength relative to its A1 rating. The net direct debt to full value (0.7%) is under the US median, and stayed the same between 2012 and 2016. In addition, the Moody's-adjusted net pension liability to operating revenues (1.2x) is consistent with the US median.

Economy and Tax Base: The town has a satisfactory economy and tax base. The full value per capita (\$62,413) is slightly below the US median, and decreased from 2012 to 2016. Additionally, the median family income is only 84.8% of the US level. Lastly, the total full value (\$579 million) is weaker than other Moody's-rated cities nationwide.

Management and Governance: New York cities, towns and villages have an Institutional Framework score ³ 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.

Sector Trends - New York Cities

New York cities, towns and villages will benefit from the state's improving economy, although economic growth varies significantly across regions. Municipal governments will have difficulty tapping into underlying economic growth due to the property tax cap, which is limited to the lesser of 2% or the rate of inflation annually (before exemptions and rollovers are added). Though they may override the cap with a three fifths vote of the governing body, this can be politically difficult in practice. Sales tax growth is beginning to rebound after a few years of sluggish performance.

EXHIBIT 1

Key Indicators [4](#) [5](#) Liberty Town

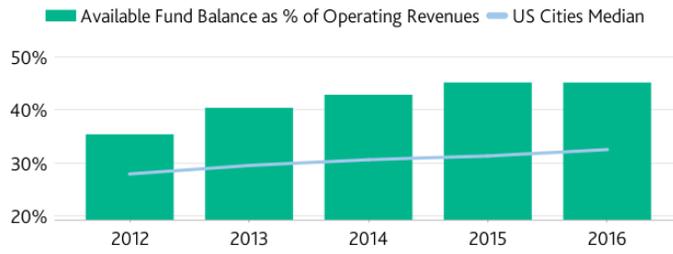
	2012	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$647M	\$618M	\$552M	\$576M	\$579M	\$1,787M	Weakened
Full Value Per Capita	\$65,866	\$63,301	\$56,795	\$59,915	\$62,413	\$88,380	Weakened
Median Family Income (% of US Median)	89%	85%	83%	85%	85%	113%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	35.4%	40.4%	42.9%	45.2%	45.2%	32.5%	Improved
Net Cash Balance as % of Operating Revenues	36.3%	45.5%	41.8%	43.9%	43.0%	35.4%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.7%	0.6%	0.6%	0.5%	0.7%	1.2%	Stable
Net Direct Debt / Operating Revenues	0.76x	0.62x	0.52x	0.53x	0.69x	0.93x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.4%	0.8%	1.0%	1.2%	1.3%	1.7%	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.47x	0.78x	0.97x	1.21x	1.24x	1.46x	Weakened
	2012	2013	2014	2015	2016	US Median	
Debt and Financial Data							
Population	9,834	9,776	9,719	9,615	9,283	N/A	
Available Fund Balance (\$000s)	\$2,014	\$2,409	\$2,525	\$2,644	\$2,742	\$7,221	
Net Cash Balance (\$000s)	\$2,067	\$2,710	\$2,463	\$2,569	\$2,612	\$7,930	
Operating Revenues (\$000s)	\$5,690	\$5,960	\$5,889	\$5,849	\$6,068	\$21,262	
Net Direct Debt (\$000s)	\$4,337	\$3,715	\$3,081	\$3,091	\$4,162	\$18,822	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$2,655	\$4,658	\$5,718	\$7,055	\$7,543	\$29,896	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

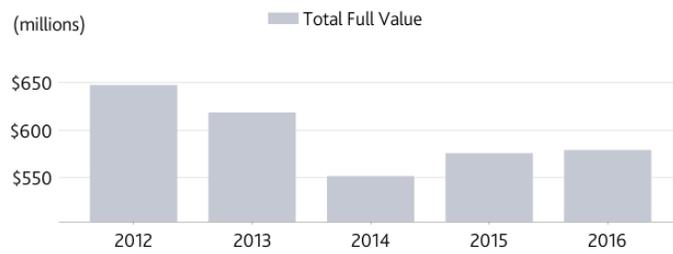
Available fund balance as a percent of operating revenues increased from 2012 to 2016



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

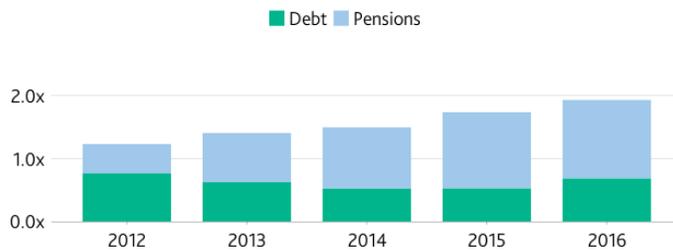
Full value of the property tax base decreased from 2012 to 2016



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2012 to 2016



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
- 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.

- 3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
- 5 The medians come from our most recently published local government medians report, [Medians - Tax Base Growth Reinforces Sector Stability as Pension Troubles Remain \(March 2017\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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