

ISSUER COMMENT

7 April 2020

RATING

General Obligation (or GO Related) ¹

A2 No Outlook

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City of Auburn, NY

Annual Comment on Auburn

Issuer Profile

The City of Auburn is the county seat of Cayuga County, located in central New York, approximately 20 miles southwest of Syracuse. The county has a population of 77,868 and a moderate population density of 112 people per square mile. The county's median family income is \$69,112 (2nd quartile) and the January 2020 unemployment rate was 5.3% (4th quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and local government.

We regard the coronavirus outbreak as a social risk under our environmental, social, and governance framework, given the substantial implications for public health and safety. We do not see any material immediate credit risks for Auburn. 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 Auburn changes, we will update our opinion at that time.

Credit Overview

The credit position for Auburn is solid, though its A2 rating is under the US cities median of Aa3. Key credit factors include a healthy financial position, a moderately sized tax base, a low wealth and income profile, a slightly above average pension liability, and a very large debt burden.

Finances: Auburn has a very solid financial position, which is a notable strength in comparison to the assigned rating of A2. The city's cash balance as a percent of operating revenues (35.1%) is on par with the US median, after contracting from 2015 to 2019. However, the fund balance as a percent of operating revenues (17.8%) is materially lower than the US median.

Economy and Tax Base: The economy and tax base of Auburn are satisfactory overall and are comparable to its A2 rating position. That said, the city's total full value (\$1.1 billion) is below the US median, despite growing between 2015 and 2019. Additionally, the median family income equals 77.7% of the US level. Finally, the full value per capita (\$39,261) is much lower than other Moody's-rated cities nationwide.

Debt and Pensions: Overall, the debt and pension liabilities of Auburn are large and unfavorable with respect to the assigned rating of A2. The Moody's-adjusted net pension liability to operating revenues (2.0x) is slightly above the US median, and increased modestly between 2015 and 2019. Moreover, the net direct debt to full value (7.6%) far surpasses the US median.

Management and Governance: New York cities have an institutional framework score ³ of "A", which is moderate. 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 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. Local governments continue to be pressured by revenue constraints, including limitations on property tax growth, flat state aid, and reliance on economically sensitive sales tax and mortgage tax revenues. Local governments will continue looking at ways to limit expense growth including contract negotiations with collective bargaining groups and shared services with other local governments. Pension liabilities are not a pressure for New York local governments due to the well-funded nature of the state run plan.

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 1

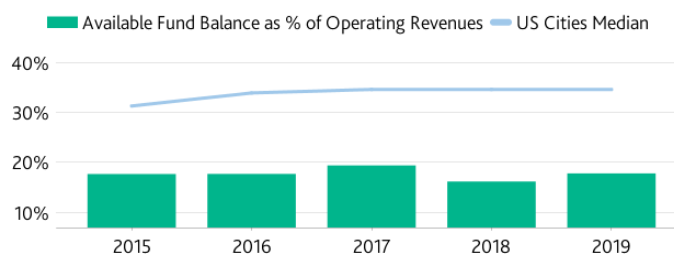
Key Indicators [4](#) [5](#) Auburn

	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$982M	\$987M	\$986M	\$992M	\$1,051M	\$1,904M	Improved
Full Value Per Capita	\$36,038	\$36,451	\$36,602	\$37,069	\$39,261	\$94,106	Improved
Median Family Income (% of US Median)	79%	79%	79%	78%	78%	111%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	17.7%	17.7%	19.4%	16.2%	17.8%	34.6%	Stable
Net Cash Balance as % of Operating Revenues	40.5%	35.2%	36.9%	34.4%	35.1%	39.6%	Weakened
Debt / Pensions							
Net Direct Debt / Full Value	7.3%	8.0%	7.8%	7.3%	7.6%	1.1%	Stable
Net Direct Debt / Operating Revenues	2.21x	2.42x	2.37x	2.19x	2.22x	0.84x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	5.7%	6.7%	7.3%	7.5%	7.0%	1.9%	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.72x	2.01x	2.24x	2.27x	2.04x	1.56x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	27,264	27,101	26,962	26,779	26,779	N/A	
Available Fund Balance (\$000s)	\$5,738	\$5,807	\$6,268	\$5,346	\$6,401	\$8,028	
Net Cash Balance (\$000s)	\$13,144	\$11,532	\$11,916	\$11,377	\$12,610	\$9,530	
Operating Revenues (\$000s)	\$32,445	\$32,795	\$32,301	\$33,026	\$35,938	\$23,172	
Net Direct Debt (\$000s)	\$71,684	\$79,472	\$76,670	\$72,262	\$79,702	\$19,139	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$55,911	\$65,954	\$72,464	\$74,902	\$73,161	\$35,448	

Source: Moody's Investors Service

EXHIBIT 2

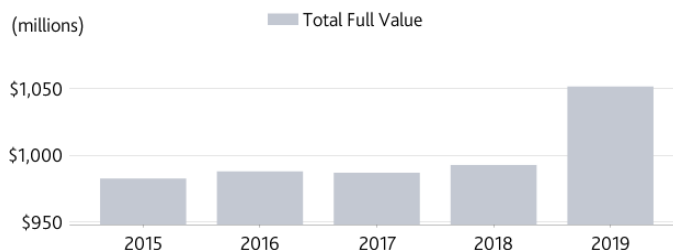
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

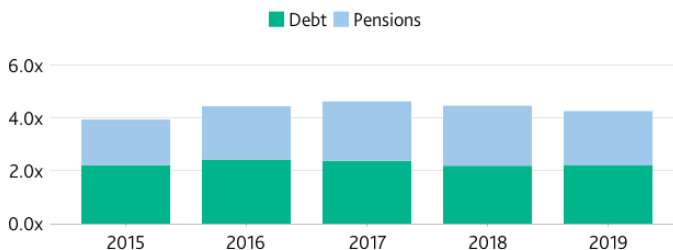
Full value of the property tax base increased from 2015 to 2019



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2015 to 2019



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

Endnotes

- 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.
 - 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.
- 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.
 - 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.
 - The medians come from our most recently published local government medians report, [Medians - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.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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