



Rating Action: Moody's upgrades Elmira, NY's issuer and GOLT ratings to Baa3; outlook revised to positive

30 Nov 2022

New York, November 30, 2022 – Moody's Investors Service has upgraded the City of Elmira, NY's issuer and general obligation limited (GOLT) ratings to Baa3 from Ba1 and revised the outlook to positive from stable. We consider the outstanding debt to be GOLT because of limitations under New York State (Aa1 stable) law on property tax levy increases. The issuer rating reflects the city's ability to repay debt and debt-like obligations without consideration of any pledge, security or structural features. The city has approximately \$26 million in debt outstanding.

RATINGS RATIONALE

The upgrade to Baa3 reflects the city's improved financial position. Over the past few years, the city has reversed its negative reserve and liquidity positions and weaned itself off of cash flow borrowing. That said, reserves and liquidity remain narrow. The Baa3 rating also takes into account the city's weak resident wealth and income, generally stagnant economy, tax collection assistance from Chemung County (A1), and grant support from the state.

The absence of distinction between the GOLT rating and the issuer rating reflects both the city council's ability to override the property tax cap and the city's faith and credit pledge supporting debt service.

RATING OUTLOOK

The positive outlook reflects our expectations that the city will maintain its recent trend of improved budgeting and strengthened reserves despite inflationary pressure.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Operating surpluses resulting in stronger reserves
- Improvement in liquidity levels
- Significant economic growth and improved resident wealth and incomes

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Return to structural imbalance and/or cash flow borrowing
- Significant increase in leverage
- Material weakening in the economy or resident wealth and incomes

LEGAL SECURITY

Payment of principal and interest on the city's debt is backed by the city's faith and credit supported by its authority to levy such ad valorem property taxes as may be necessary to pay the bonds, as limited by New York State's legislative cap on property taxes (Chapter 97 (Part A) of

the Laws of the State of New York, 2011).

PROFILE

The City of Elmira is located in Chemung County, in New York State's (Aa1 stable) Southern Tier region. The city provides standard municipal services to a population which has been decreasing steadily for decades and was 26,523 as of the 2020 census.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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