

ISSUER COMMENT

28 October 2019

RATING

General Obligation (or GO Related) ¹

Aa1 No Outlook

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Town of Orchard Park, NY

Annual Comment on Orchard Park

Issuer Profile

The Town of Orchard Park is located in south central Erie County in western New York, approximately 10 miles southeast of Buffalo. The county has a population of 923,995 and a moderate population density of 885 people per square mile. The county's median family income is \$72,128 (2nd quartile) and the August 2019 unemployment rate was 4.3% (3rd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and manufacturing.

Credit Overview

Orchard Park has a very strong credit position, and its Aa1 rating is above the median rating of Aa3 for US cities. The notable credit factors include a robust financial position, a very strong wealth and income profile and a healthy tax base. It also reflects an affordable debt burden and a moderate pension liability.

Finances: The town's financial position is robust and is slightly favorable when compared to the assigned rating of Aa1. Orchard Park's cash balance as a percent of operating revenues (50.2%) is a little stronger than the US median. That said, this metric decreased from 2014 to 2018. Moreover, the fund balance as a percent of operating revenues (49%) is higher than other Moody's-rated cities nationwide.

Economy and Tax Base: The economy and tax base of the town are very strong overall. That said, the factor is slightly unfavorable when compared to its Aa1 rating. The median family income equals a robust 153.1% of the US level. On the other hand, Orchard Park's full value per capita (\$104,549) is roughly equivalent to the US median, and grew significantly from 2014 to 2018. Furthermore, the total full value (\$3 billion) is slightly above other Moody's-rated cities nationwide.

Debt and Pensions: Overall, the town has affordable debt and pension burdens. That said, they are weak in comparison to the assigned rating of Aa1. The net direct debt to full value (1.2%) is on par with the US median, and increased between 2014 and 2018. In addition, Orchard Park's Moody's-adjusted net pension liability to operating revenues (1.3x) favorably is slightly lower than 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.

EXHIBIT 1

Key Indicators ⁴ ⁵ Orchard Park

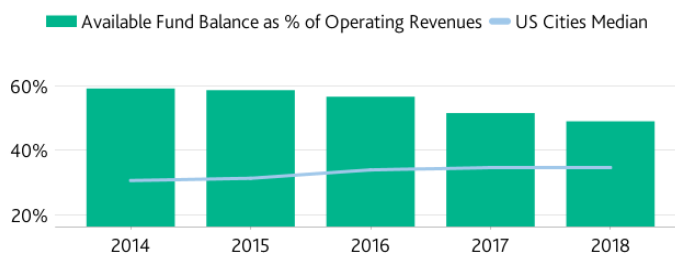
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$2,647M	\$2,685M	\$2,809M	\$2,921M	\$3,037M	\$1,904M	Improved
Full Value Per Capita	\$90,187	\$91,144	\$95,170	\$98,891	\$104,549	\$94,106	Improved
Median Family Income (% of US Median)	154%	157%	161%	153%	153%	111%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	59.1%	58.6%	56.6%	51.5%	49.0%	34.6%	Weakened
Net Cash Balance as % of Operating Revenues	57.8%	57.7%	58.2%	52.6%	50.2%	39.6%	Weakened
Debt / Pensions							
Net Direct Debt / Full Value	0.5%	0.4%	0.7%	0.8%	1.2%	1.1%	Weakened
Net Direct Debt / Operating Revenues	0.67x	0.56x	0.99x	1.10x	1.68x	0.84x	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.9%	1.1%	1.0%	1.0%	0.9%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.30x	1.45x	1.44x	1.34x	1.28x	1.56x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	29,351	29,466	29,521	29,545	29,054	N/A	
Available Fund Balance (\$000s)	\$10,942	\$11,685	\$11,404	\$11,417	\$10,873	\$8,028	
Net Cash Balance (\$000s)	\$10,687	\$11,497	\$11,726	\$11,660	\$11,137	\$9,530	
Operating Revenues (\$000s)	\$18,499	\$19,932	\$20,148	\$22,159	\$22,205	\$23,172	
Net Direct Debt (\$000s)	\$12,320	\$11,150	\$19,875	\$24,440	\$37,305	\$19,139	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$24,030	\$28,855	\$28,977	\$29,709	\$28,323	\$35,448	

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

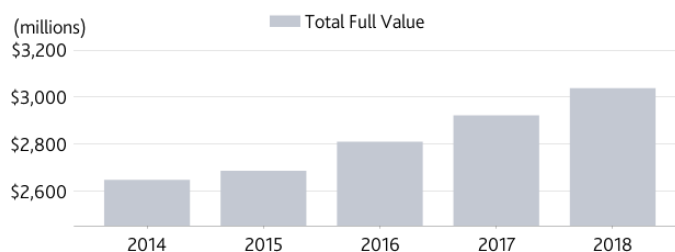
Available fund balance as a percent of operating revenues decreased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

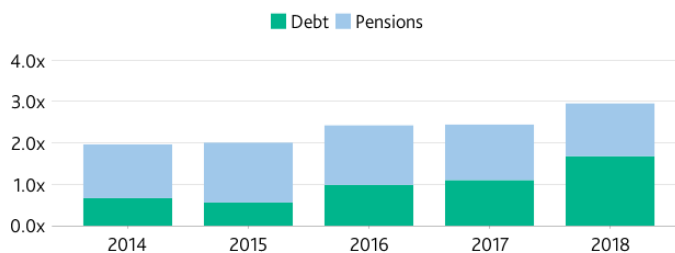
Full value of the property tax base increased from 2014 to 2018



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 2014 to 2018



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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