

ISSUER COMMENT

3 February 2021

RATING

General Obligation (or GO Related) ¹

Aa1 No Outlook

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Town of Ithaca, NY

Annual Comment on Ithaca Town

Issuer Profile

The Town of Ithaca is located in Tompkins County in western New York's Southern Tier, approximately 45 miles southwest of Syracuse. Tompkins County has a population of 102,642 and a moderate population density of 216 people per square mile. The county's median family income is \$86,232 (1st quartile) and the November 2020 unemployment rate was 4% (1st quartile) ². The largest industry sectors that drive the local economy are local government, retail trade, and professional/scientific/technical services.

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 and the economy. We do not see any material immediate credit risks for Ithaca Town. 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 Ithaca Town changes, we will update our opinion at that time.

Credit Overview

Ithaca Town has an excellent credit position. Its Aa1 rating is stronger than the median rating of Aa3 for cities nationwide. Notable credit factors include a very healthy financial position, a negligible debt burden and a small pension liability. It also reflects a strong wealth and income profile and a sizable tax base.

Finances: The financial position of the town is robust and is slightly favorable in relation to the assigned rating of Aa1. Fund balance as a percent of operating revenues (71.8%) far exceeds the US median and cash balance as a percent of operating revenues (85.3%) is far superior to other Moody's-rated cities nationwide. Both metrics improved materially between 2015 and 2019.

Debt and Pensions: The town has an exceptionally light debt burden and is a modest credit strength in comparison to its Aa1 rating. Net direct debt to full value (0.2%) is materially below the US median and decreased markedly from 2015 to 2019. The pension liability of the town is affordable and compares well to the assigned rating of Aa1. The Moody's-adjusted net pension liability to operating revenues (0.68x) favorably is materially lower than the US median.

Economy and Tax Base: Ithaca Town has a strong economy and tax base and is generally reflected in its Aa1 rating. Total full value (\$1.5 billion) is consistent with the US median. Median family income equals a significant 134.0% of the US level and full value per capita (\$77,805) is slightly weaker than other Moody's-rated cities nationwide.

The coronavirus caused an unprecedented economic slowdown. We currently forecast US GDP to gradually recover in 2021. Local governments with the highest exposure to tourism, hospitality, healthcare, retail, and oil and gas could have a much slower recovery.

Management and Governance: New York cities have an institutional framework score ³ of "Aa", which is strong. 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 and many local governments have done so when necessary. Unpredictable revenue fluctuations tend to be low, reflected in expense growth being under 5% on average across the whole sector. Fixed and mandated costs are generally below 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 low, however, reflective in expense growth being under 5% on average across the whole sector.

Sector Trends - New York Cities

Most cities across New York will continue to benefit from fundamentally strong economies positioned for long term growth. However, the negative impacts of coronavirus pandemic will vary significantly by region depending on how long it takes for economic activity to return to normal or near-normal. The pandemic is causing significant declines to economically sensitive revenues such as sales taxes and hotel/motel taxes. 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 state run plan. OPEB liabilities across the state are generally higher than the national average; however, total unfunded liabilities are only slightly above average.

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

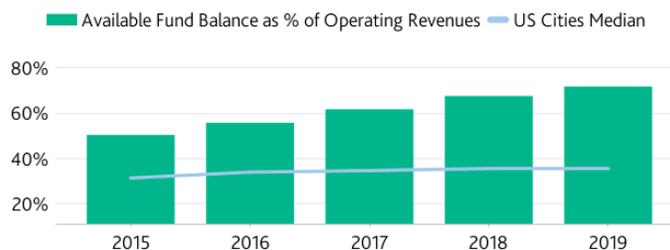
Key Indicators 4.5 Ithaca Town

	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,323M	\$1,366M	\$1,409M	\$1,470M	\$1,548M	\$2,024M	Improved
Full Value Per Capita	\$65,357	\$66,975	\$69,199	\$73,877	\$77,805	\$97,657	Improved
Median Family Income (% of US Median)	134%	138%	132%	134%	134%	114%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	50.4%	55.8%	61.7%	67.6%	71.8%	35.5%	Improved
Net Cash Balance as % of Operating Revenues	62.1%	67.4%	88.6%	87.7%	85.3%	40.0%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.2%	1.0%	0.9%	0.2%	0.2%	1.1%	Improved
Net Direct Debt / Operating Revenues	1.32x	1.17x	0.99x	0.22x	0.17x	0.82x	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.7%	0.7%	0.7%	0.6%	0.6%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.78x	0.75x	0.73x	0.67x	0.68x	1.57x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	20,254	20,398	20,372	19,907	19,907	N/A	
Available Fund Balance (\$000s)	\$6,029	\$6,837	\$8,004	\$8,951	\$10,221	\$8,489	
Net Cash Balance (\$000s)	\$7,438	\$8,268	\$11,489	\$11,619	\$12,140	\$9,759	
Operating Revenues (\$000s)	\$11,968	\$12,262	\$12,965	\$13,243	\$14,235	\$36,135	
Net Direct Debt (\$000s)	\$15,818	\$14,296	\$12,823	\$2,924	\$2,417	\$19,137	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$9,359	\$9,168	\$9,414	\$8,912	\$9,649	\$38,399	

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 decreased 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 \(July 2020\)](#) 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 expansion bolsters revenue, but pensions remain a hurdle \(May 2020\)](#), 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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