

# RatingsDirect®

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## Summary:

# LeRay Town, New York; General Obligation

### **Primary Credit Analyst:**

Steve C Tencer, CPA, New York (1) 212-438-2104; [steve.tencer@standardandpoors.com](mailto:steve.tencer@standardandpoors.com)

### **Secondary Contact:**

Michael J Mooney, New York (1) 212-438-4943; [michael.mooney1@standardandpoors.com](mailto:michael.mooney1@standardandpoors.com)

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### Credit Profile

#### LeRay Twn GO

*Unenhanced Rating*

A(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on LeRay Town (Jefferson County), N.Y.'s series 2006 and 2010 insured public improvement serial general obligation (GO) bonds by one notch to 'A' from 'A-'. This action is based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the town's faith and credit secures the bonds.

The rating reflects our assessment of these factors for the town, specifically its:

- Very strong budget flexibility,
- Very strong liquidity,
- Adequate budgetary performance,
- Adequate management conditions,
- Very weak economy,
- Very weak debt and contingent liabilities profile, and
- Strong institutional framework.

### Very strong budget flexibility

In our opinion, the town's budgetary flexibility remains very strong, with reserves above 85% of expenditures for the past three years and no plans to spend them down at this time. Audited fiscal 2012 reserves were \$905,000, or 86.9% of expenditures.

### Very strong liquidity

Supporting the town's finances is liquidity we consider very strong, with total government available cash at 59% of total governmental fund expenditures and over 300% of debt service. We believe the town has strong access to external liquidity.

### Adequate budgetary performance

When excluding one-time construction expenditures, the town's budgetary performance has been adequate overall, in our view. For fiscal 2012, the town posted a 6.9% general fund deficit, but a 49.7% total governmental funds surplus. We also factor management's expectation of a fiscal 2013 surplus approaching \$340,000 into the rating.

### **Adequate management conditions**

We view the town's management conditions as adequate, with standard financial practices. Highlights include the town council receiving quarterly budget-to-actual statements and monthly investment reports.

### **Very weak economy**

We consider LeRay's economy to be very weak, with projected per capita effective buying income and per capita market value at 54.4% of the U.S. level and approximately \$21,000, respectively. Jefferson County's 2012 unemployment rate was just above 10%. LeRay also hosts the majority of off-base housing for military families stationed at nearby Fort Drum.

### **Very weak debt and contingent liabilities profile**

In our opinion, the town's debt and contingent liabilities profile is very weak, with total governmental funds debt service at 15.2% of total governmental funds expenditures, and net direct debt at 184.7% of total governmental funds revenue. Overall net debt is roughly 13% of market value. Amortization is rapid, in our view, with roughly 85% of principal debt scheduled to be retired over the next 10 years.

The town participates in the New York State and Local Employees' Retirement System, to which it contributed \$96,695, or 2.8% of total governmental fund expenditures, in fiscal 2012. The town has made 100% of its annual required contribution over the last three years. The town does not provide other postemployment benefits.

### **Strong institutional framework**

We consider the institutional framework score for New York towns to be strong.

## **Outlook**

The stable outlook reflects our view that liquidity and budgetary flexibility will remain very strong, enhanced by the anticipated fiscal 2013 surplus, and in line with the town's historical pattern. However, should budgetary performance deteriorate after removing one-time expenditures, or if its ratio of fund balance to expenditures were to drop, we could lower the rating. Conversely, if the town's debt and contingent liabilities were to diminish, we could raise the rating. However, we currently do not expect to change the rating within the two-year outlook horizon.

## **Related Criteria And Research**

### **Related Criteria**

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

### **Related Research**

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: New York Local Governments

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