

Rating Action: Moody's assigns Aa3 to Watertown, NY's GO Bonds

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New York, April 27, 2021 -- Moody's Investors Service has assigned a Aa3 rating to the City of Watertown, NY's \$3.4 million Public Improvement Serial Bonds, 2021. Moody's currently maintains Aa3 issuer and general obligation limited tax (GOLT) ratings on the city. The issuer rating is equivalent to the city's hypothetical general obligation unlimited tax rating (GOULT); there is no debt associated with the GOULT security.

RATINGS RATIONALE

The Aa3 issuer rating reflects a sound financial position, modestly sized tax base anchored by Fort Drum and manageable long-term liabilities. Coronavirus remains a social risk but is not impacting the city's credit profile at this time.

We consider the outstanding debt to be GOLT because of limitations under New York State law on property tax levy increases. The lack of distinction between the Aa3 GOLT rating and the Aa3 Issuer rating reflects the city council's ability to override the property tax cap and the faith and credit pledge in support of debt service.

RATING OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO A UPGRADE OF THE RATING

- Significant growth in tax base
- Material change in socio-economic profile

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline in reserves or liquidity
- Increase in long-term liabilities

LEGAL SECURITY

The GO bonds are secured by the city's general obligation pledge as limited by New York State's Property Tax Cap-Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011) and by the city's pledge of its faith and credit to pay debt service.

USE OF PROCEEDS

The bonds will permanently finance outstanding bond anticipation notes and provide new money for various capital projects across the city.

PROFILE

Watertown, NY is located 11 miles east of Lake Ontario and 22 miles south of the St. Lawrence River and Canadian border. The city has a population of about 26,000.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.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 at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1263068.

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