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Mayor

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## **MOODY'S UPGRADES SCH'DY CREDIT RATING**

### **City's Investment-grade Rating Climbs Even Higher Following Results of 2006 Audit**

#### **4<sup>th</sup> Consecutive Rating Improvement for City Since 2004 !**

*Moody's: "The city's financial flexibility has increased substantially"*

**SCHENECTADY** – Mayor Brian U. Stratton today announced that Moody's Investors Service has advanced Schenectady's credit rating further into the investment-grade range as a result of the city's improved financial management and the recently completed 2006 audit, which showed the city finishing the last fiscal year with an unreserved fund balance of \$8.1 million across all four fund divisions.

Moody's upgrade marks the fourth consecutive credit rating improvement for Schenectady under Mayor Stratton's administration, and the second consecutive rating elevation into investment-grade. In April 2006, Moody's returned the city from junk bond to investment-grade status. In early 2004, Schenectady held the singularly lowest credit rating by Moody's of any municipality in New York State.

"The decision today by Moody's to give Schenectady its second investment-grade upgrade in 12 months provides further proof of our financial turn-around. It reaffirms the very real gains this administration and the City Council have made to restore long-term financial accountability and fiscal stability in Schenectady," Mayor Stratton said.

Mayor Stratton said the rating change is positive for Schenectady taxpayers. "Our taxpayers need to know that a better credit rating helps to reduce the overall cost of providing services, and therefore lessens the need to raise property taxes."

Effective immediately, Moody's rating for Schenectady has been elevated to Baa 2 stable outlook from Baa 3 stable outlook. The new rating action affects approximately \$34 million of previously issued and outstanding general obligation bonds. Schenectady's rating has not been at this level of investment grade since November 2001.

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Moody's decision follows the recently announced results of the city's completed 2006 audit, which for the second straight year showed the city finishing its fiscal period with a healthy surplus in every fund division.

In its public report issued today, Moody's said the credit rating upgrade reflects Schenectady's increased financial flexibility under the Stratton administration. The report says significant operating surpluses in the last three fiscal years (2005–2007) have eliminated the city's cumulative deficit, and positioned the city well for positive operating results going forward.

Moody's also noted the fact Schenectady finished 2006 more than \$3.6 million under budget due to savings from new employee insurance plans and the administration's efforts to reduce reliance outside contractors and to consolidate services with Schenectady County.

On April 16, Mayor Stratton, city finance officials and auditors from Cusack & Company announced the results of the city's 2006 audit. Cusack's audited financial statements showed an unreserved surplus (fund balance) of \$8.1 million cumulatively for the city's four fund divisions, including the general fund, water fund, sewer fund and golf fund.

The 2006 audit results were even stronger than 2005, when the city finished with a surplus in all four fund divisions. According to city financial records, 2006 showed the largest combined reserved and unreserved fund balance achieved in Schenectady since 1980.

The Moody's report said the city's improved financial position has eliminated the need for costly year-end borrowing. Specifically, Moody's analysts wrote:

***“Significant operating surpluses have dramatically improved the city’s liquidity position; as a result, there was not need for cash- flow borrowing in 2006, as compared to a peak issuance of \$14.4 million (in borrowing) in fiscal 2002.”***

**Moody's Investors**

Mayor Stratton said today's credit upgrade will provide both immediate and lasting financial benefits to Schenectady taxpayers, with an opportunity for significant savings on previously budgeted interest payments on the city's \$29.1 million in bond anticipation notes (BAN). City officials expect to go to market next month to obtain new rates on \$21.4 million in existing BAN borrowing, and \$8 million in new BAN borrowing for 2007 capital projects.

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The city currently pays an interest rate of 4.5 percent, or \$960,102 annually on the existing \$21.4 million BAN borrowing. The Mayor said he expects the city's new credit rating improvement will mean Schenectady will now be eligible for a more competitive borrowing rate.

It is the fourth consecutive time Moody's has acted to improve Schenectady's credit outlook since Mayor Stratton took office in January 2004. In November 2004, Moody's elevated Schenectady's credit outlook (but not the actual rating) two positions, from Ba 3 negative outlook to Ba 3 *positive outlook*, citing then the new administration's tangible accomplishments, including the sale of the city parking garage, the sale of \$8.9 million in property tax liens in 2004, and the generation of \$2.7 million in recurring revenue from the establishment of a waste collection fee.

One year later, in November 2005, Moody's further upgraded Schenectady's credit rating two steps from Ba 3 negative, to Ba 1 stable outlook, the city's first actual credit upgrade in five years. Then, in April 2006, Schenectady was returned by Moody's to the investment grade category, moving from Ba 1 stable outlook to Baa 3 stable outlook.

Under the previous administration, the city's credit rating tumbled steadily downward for six straight years – from 2000 – 2004, moving from BAa 1 in 2000 to Ba 3 in 2003 and 2004 --- the singularly lowest municipal credit rating given by Moody's at that time to any municipality in New York State.

**(SEE ATTACHED RATING HISTORY CHART)**

Moody's also noted the opportunity for continued moderate growth in the city's \$2.2 billion tax base, citing the nearly \$200 million in new business investment attracted to downtown Schenectady since 2004.

Mayor Stratton said the city's second consecutive investment-grade upgrade by Moody's reaffirms that Schenectady is on the right track.

"Today's news is yet another reason for our citizens to have a renewed sense of pride and respect for their city, and genuine hope for a brighter future," Mayor Stratton said.

Mayor Stratton praised the City Council for supporting his administration's financial reforms and credited his financial management team, including Commissioner Ismat Alam, and John Paolino, Director of Administration.