

Schenectady, NY GO Debt Outlook Revised To Positive From Stable On Improved Metrics; Series 2022 Bonds Rated 'A'

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NEW YORK (S&P Global Ratings) Jan. 11, 2022--S&P Global Ratings revised the outlook to positive from stable and affirmed its 'A' rating on Schenectady, N.Y.'s existing GO debt. At the same time, S&P Global Ratings assigned its 'A' rating with a positive outlook to Schenectady's approximately \$25.6 million series 2022 public improvement refunding general obligation (GO) bonds.

"The outlook revision to positive indicates that we expect Schenectady's economic and financial metrics will continue improving over our outlook horizon, given a strong economic development pipeline and recovering revenues following COVID-19 pandemic-related shortfalls," said S&P Global Ratings credit analyst Felix Winnekens.

In our view, due to the lack of state statutory authority for local governments in New York State to prefund other postemployment benefits (OPEB) contributions through a dedicated trust, we think governance risks are somewhat elevated compared with those of Schenectady's peers where OPEB is an implicit subsidy or where OPEB is more easily modified. Despite the city's location along the Mohawk River, we understand inland flooding risk is minimal, in part because of measures taken by the city to protect critical infrastructure, including its water pump station. We therefore consider Schenectady's environmental risk in-line with the sector standard. Lastly, we assess the city's social risks to be in line with those of peers.

We could upgrade the rating if Schenectady manages to maintain positive financial performance and grow reserves to levels we consider very strong while continuing to see economic growth and diversification of its tax base.

We could revise the outlook back to stable if anticipated improvements in the city's economy and finances are more muted, or if sustained financial imbalances or one-time costs lead to a material weakening of the city's financial position, including its reserves.

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