

## CREDIT OPINION

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### Contacts

Christopher Yared, +1.617.535.7693  
CFA  
Analyst  
christopher.yared@moodys.com

Coley J Anderson +1.312.706.9961  
VP-Senior Analyst  
coley.anderson@moodys.com

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# Oneida County, NY

## Update to credit analysis

### Summary

[Oneida County, NY](#) (A1) benefits from a sizeable tax base with large scale economic development projects underway, but which depends on casino gaming and sales tax revenues to fund a majority of its budget. Our view of the county incorporates its fiscal position, which has declined over the last two fiscal years, however governmental fund balance has increased over the same period. The county's financial position remains adequate for the rating category. Given the county's economically sensitive revenue sources, we expect the county will meet any revenue weakness with commensurate expenditure reductions. In recent years, the county has reduced expenditures to match lower revenue collections. The county's fixed costs are increasing, but remain manageable.

### Credit strengths

- » Large and diverse tax base
- » Solid management that maintains consistent operating results
- » Proactive expenditure controls amid uncertain operating environment

### Credit challenges

- » Below average liquidity and reserves
- » Increasing long term liabilities profile

### Rating outlook

Moody's does not typically assign outlooks to local governments with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » Sustained operating surpluses and improved liquidity and reserves
- » Material improvement in resident wealth or incomes

### Factors that could lead to a downgrade

- » Significant increase in long term liabilities or fixed costs
- » Material operating deficits resulting in meaningful reductions in reserves
- » Sustained economic loss resulting in weakened wealth metrics

## Key indicators

Exhibit 1

### Oneida (County of) NY

	2018	2019	2020	2021	A Medians
<b>Economy</b>					
Resident income ratio (%)	94.1%	95.8%	97.0%	96.4%	85.3%
Full Value (\$000)	\$10,925,588	\$11,242,756	\$11,900,896	\$12,296,863	\$2,337,223
Population	230,782	229,959	229,074	232,034	33,304
Full value per capita (\$)	\$47,342	\$48,890	\$51,952	\$52,996	\$68,108
Economic growth metric (%)	N/A	-1.1%	-0.8%	-1.0%	-1.4%
<b>Financial Performance</b>					
Revenue (\$000)	\$441,735	\$454,644	\$441,301	\$486,838	\$31,160
Available fund balance (\$000)	\$60,898	\$69,200	\$51,229	\$50,016	\$9,928
Net unrestricted cash (\$000)	\$33,196	\$40,058	\$23,496	\$29,304	\$15,327
Available fund balance ratio (%)	13.8%	15.2%	11.6%	10.3%	24.2%
Liquidity ratio (%)	7.5%	8.8%	5.3%	6.0%	43.0%
<b>Leverage</b>					
Debt (\$000)	\$398,879	\$484,862	\$518,425	\$577,655	\$17,425
Adjusted net pension liabilities (\$000)	\$222,205	\$275,571	\$365,964	\$262,210	\$28,872
Adjusted net OPEB liabilities (\$000)	\$94,110	\$78,969	\$89,888	\$119,358	\$1,701
Other long-term liabilities (\$000)	\$28,210	\$28,054	\$26,225	\$25,280	\$744
Long-term liabilities ratio (%)	168.3%	190.8%	226.7%	202.2%	186.6%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$0	\$29,390	\$35,351	\$37,126	\$1,219
Pension tread water contribution (\$000)	\$5,566	\$9,623	\$10,398	\$17,090	\$849
OPEB contributions (\$000)	\$2,381	\$1,887	\$2,172	\$2,316	\$34
Implied cost of other long-term liabilities (\$000)	\$0	\$2,079	\$2,045	\$1,878	\$51
Fixed-costs ratio (%)	1.8%	9.5%	11.3%	12.0%	7.7%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Utica-Rome, NY Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Oneida (County of) NY's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

## Profile

Oneida County is located in the Mohawk Valley of central upstate New York and includes the [City of Utica](#) (Baa1). The [City of Syracuse](#) (A1 stable) is located approximately 50 miles to the west and the [City of Albany](#) is located approximately 90 miles to the east. Oneida encompasses 1,227 square miles and has approximately 230,000 residents.

## Detailed credit considerations

### Economy

Ongoing residential and commercial development will continue to drive growth in the economy. Oneida County benefits from a sizable \$12.3 billion tax base and satisfactory resident wealth levels. Key economic anchors include the Turning Stone Casino, which continues to perform well after shutdowns during the beginning of the COVID-19 pandemic. Additionally, significant economic development projects include a new \$600 million hospital that is expected to be finished in October 2023 and a \$1.2 billion dollar chip manufacturing facility, which currently employs 350 people and is expected to increase to 600 workers over time. This chip factory is one of several facilities that have been announced in the region, with neighboring Onondaga County's \$100 billion Micron facility anchoring a significant push for advanced manufacturing in the area.

In December 2022, the Upper Mohawk Valley Memorial Auditorium Authority, an enterprise of the county, opened the Nexus Center, which is a new \$66 million sports and recreation complex that was funded with a combination of revenue bonds, state grants, and

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county contributions. In order to finance the local share of the project, the county increased its hotel and occupancy tax from 2% to 5%. The Nexus Center is expected to attract more than 320,000 annual visitors to the county.

The county has a variety of residential projects under development and has previously focused on rebuilding old Air Force Base homes in addition to constructing mixed use complexes at the Griffiss Park. The first phase of this project is occupied and the second phase will provide a total of 156 new apartment units and 56,000 square feet of commercial space when complete. Resident income, representing 96% of the national average, is moderately stronger than A rated peers.

### Financial operations

The county's financial operations are significantly exposed to broader economic conditions given the fact that gaming revenues and sales tax make up a significant percentage of county revenues. However, management has historically been able to adjust expenditures on a timely basis when revenues have come in lower than expected. That willingness to adjust expenditures in line with volatile revenue sources is key to the county's rating profile.

In fiscal 2021, the county's total governmental fund balance increased by \$28 million largely due to sales tax revenues coming in \$20 million ahead of the budget. This amount included a \$14 million surplus in the capital projects fund that is restricted for future projects, and, as a result, is not captured in our available fund balance calculation.

The county's unaudited 2022 results are showing a \$29 million increase in the total governmental fund balance as sales taxes again outperformed expectations. The county targets a fund balance reserve of 5-10% of expenditures, which is modest, but it has been in compliance with its target for each of the last five fiscal years. Management credits a significant number of vacancies across departments with helping keep wage growth in line with expectations in 2022.

Fiscal 2023 results are trending positively about halfway through the year. Management reports some unexpected increases in utility costs, but overall costs are generally in line with what was budgeted going into the year.

### Liquidity

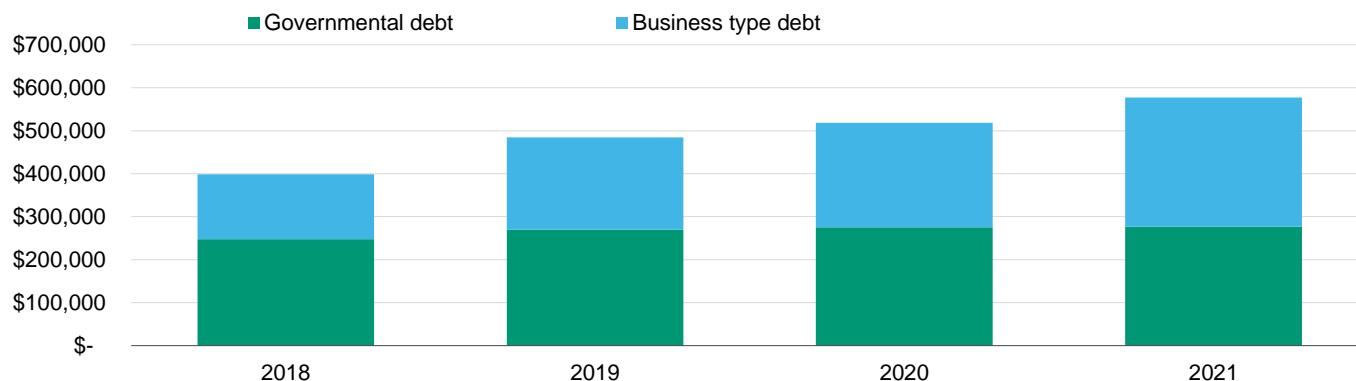
Cash and investments at the end of fiscal 2021 represented \$29 million or 6% of revenues. Generally, cash and reserves as a percentage of revenues will be lower than the US median for New York counties given the large number of state mandated programs counties administer and for which they are reimbursed from either state or federal money.

### Leverage

Increasing enterprise leverage will be a focus in future reviews. The county's upcoming \$17 million issuance will finance building and other facilities reconstruction. In March 2023, the county adopted a resolution for a hospital parking garage, for which it has already borrowed \$22 million and expects to borrow an additional \$8 million in September 2023.

Over the past several years, the county has taken on more and more business type debt driven by issuance activity in its sewer fund and for other component units including the Upper Mohawk Valley Memorial Auditorium Authority. While the business type debt may have its own dedicated repayment source – rates and charges paid by users in the case of the sewer fund, or a dedicated occupancy tax in the case of the auditorium authority – the obligation is ultimately the responsibility of the county. Additional significant increases in the county's debt and other long term liabilities could weigh on the credit profile in the future.

Exhibit 2

**Growth in the county's debt burden is driven by business type debt**

Source: Issuer's audited financial statements

The county's five year capital improvement plan incorporates \$142 million of project costs with \$64 million funded by bonds, \$11 million by direct appropriations, and \$13 million by reserve funds.

**Legal security**

Oneida's general obligation debt is backed by a general obligation pledge as limited by New York State's legislative cap on property taxes (Chapter 97 (Part A) of the Laws of the State of New York, 2011) as well as the pledge of its faith and credit. The county has the ability to override the property tax cap.

**Debt structure**

The entire debt portfolio is fixed rate.

**Debt-related derivatives**

The county is not party to any interest rate swaps or derivative agreements.

**Pensions and OPEB**

The county's unfunded pension and OPEB liabilities are large and, though manageable at this time, represent a potential future credit challenge. The county participates in two multiple employer cost-sharing pension plans and funds OPEB on a pay-go basis.

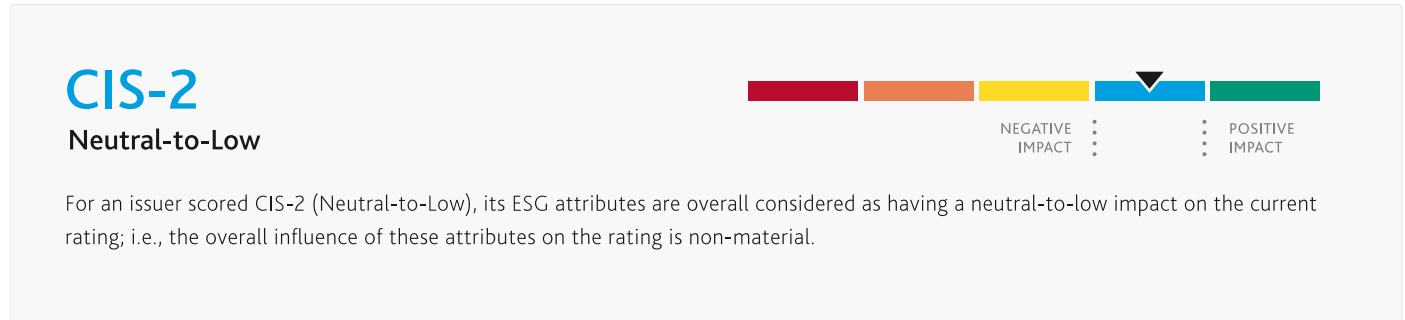
In fiscal 2021, the county's pension contributions exceeded tread water, the amount required to prevent the unfunded liability from increasing if all plan assumptions are realized. To the extent that the multiple-employer pension plans in which the county participates experience returns on assets that fall short of their assumptions, the county's required pension contribution will increase. Because New York state law does not permit pre-funding OPEB benefits, the county's OPEB costs will likely escalate as the number of retirees it covers grows and retirees age.

## ESG considerations

### Oneida (County of) NY's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

#### ESG Credit Impact Score

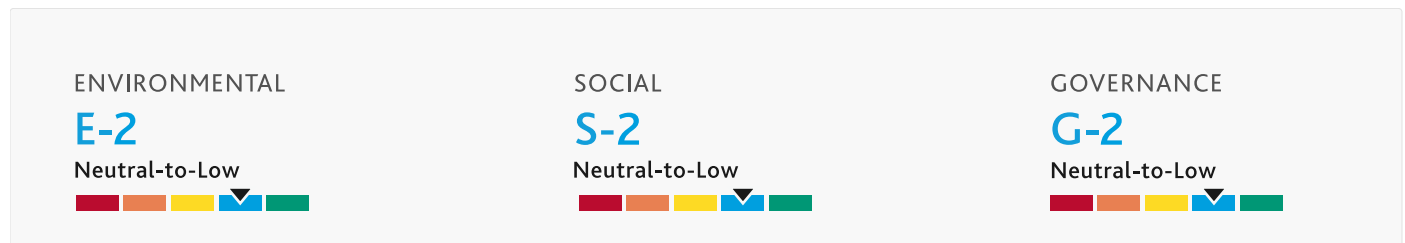


Source: Moody's Investors Service

Oneida's ESG Credit Impact Score is neutral to low (**CIS-2**), reflecting neutral to low exposure to environmental, social, and governance risks.

Exhibit 4

#### ESG Issuer Profile Scores



Source: Moody's Investors Service

#### Environmental

The county's overall environmental issuer profile score is neutral to low (**E-2**). Carbon transition, water, natural capital, and pollution risks are all modest risks, while the county maintains no exposure to sea level rise given its inland location.

#### Social

Exposure to social risk is neutral to low (**S-2**). The county's modestly weak demographics and average income levels diminish the social scoring, while education, housing, health and safety, and access to basic services all score more moderately.

#### Governance

Oneida County's moderate governance is reflected in a score of **G-2**. Transparency and disclosure, policy credibility and effectiveness, and budget management are all average compared to other local governments.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 5

### Oneida (County of) NY

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	96.4%	10.0%	A
Full value per capita	55,561	10.0%	Baa
Economic growth metric	-1.0%	10.0%	A
<b>Financial Performance</b>			
Available fund balance ratio	10.3%	20.0%	Baa
Liquidity ratio	6.0%	10.0%	Ba
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	202.2%	20.0%	A
Fixed-costs ratio	12.0%	10.0%	Aa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			A2
<b>Assigned Rating</b>			<b>A1</b>

Sources: US Census Bureau, Oneida (County of) NY's financial statements and Moody's Investors Service

## Appendix

Exhibit 6

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service

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