

CREDIT OPINION

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City of Oneida, NY

New Issuer

Summary

The [City of Oneida](#) (A2), New York's credit profile is characterized by modestly positive financial operations and healthy reserves and liquidity offset by extremely high long term liabilities, including significant debt issued for the city's current capital plan, improvements and expansion to its wastewater treatment plant.

On March 21, 2024 we assigned an initial A2 issuer and MIG 1 short term rating to the City of Oneida.

Credit strengths

- » Healthy reserves and liquidity in general, water and sewer funds
- » New revenue derived from expanded capacities at wastewater treatment plant
- » Willingness and ability to raise water and sewer rates

Credit challenges

- » High leverage and fixed costs, primarily from debt and debt service
- » Below average economic growth and resident incomes

Rating outlook

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

Factors that could lead to an upgrade

- » Growth in reserves and liquidity
- » Material decrease in long term liabilities
- » Expansion of local economy and resident income growth

Factors that could lead to a downgrade

- » Deterioration of reserves and liquidity
- » Material increase in leverage
- » Contraction of local economy and resident incomes
- » Downgrade of issuer rating to A3 or below (BAN rating)

Key indicators

Exhibit 1

Oneida (City of) NY

	2019	2020	2021	2022	A Medians
Economy					
Resident income ratio (%)	84.7%	78.6%	74.5%	79.8%	85.3%
Full Value (\$000)	\$467,386	\$487,481	\$491,295	\$522,038	\$765,032
Population	10,948	10,918	10,493	10,326	10,363
Full value per capita (\$)	\$42,691	\$44,649	\$46,821	\$50,556	N/A
Annual Growth in Real GDP	2.9%	-2.9%	2.7%	0.4%	4.7%
Financial Performance					
Revenue (\$000)	\$22,149	\$19,875	\$23,202	\$27,118	\$22,589
Available fund balance (\$000)	\$4,836	-\$1,256	-\$35,108	-\$47,063	\$9,301
Net unrestricted cash (\$000)	\$5,381	\$6,550	\$9,030	\$7,109	\$13,502
Available fund balance ratio (%)	21.8%	-6.3%	-151.3%	-173.5%	40.7%
Liquidity ratio (%)	24.3%	33.0%	38.9%	26.2%	55.3%
Leverage					
Debt (\$000)	\$21,110	\$29,153	\$59,629	\$71,437	\$18,954
Adjusted net pension liabilities (\$000)	\$27,978	\$38,498	\$30,871	\$25,608	\$28,106
Adjusted net OPEB liabilities (\$000)	\$44,088	\$44,723	\$46,337	\$29,542	\$1,627
Other long-term liabilities (\$000)	\$3,247	\$3,299	\$3,490	\$3,736	\$749
Long-term liabilities ratio (%)	435.3%	582.0%	604.8%	480.6%	272.92%
Fixed costs					
Implied debt service (\$000)	\$1,144	\$1,539	\$2,088	\$4,182	\$1,360
Pension tread water contribution (\$000)	\$1,101	\$1,200	\$2,022	\$1,495	\$864
OPEB contributions (\$000)	\$1,490	\$1,850	\$1,659	\$1,739	\$56
Implied cost of other long-term liabilities (\$000)	\$223	\$237	\$236	\$245	\$47
Fixed-costs ratio (%)	17.9%	24.3%	25.9%	28.3%	12.6%

Oneida's negative available fund balance ratio in fiscal 2022, 2021 and 2023 is driven by a negative fund balance in the city's capital fund, which will be rectified when the city obtains permanent bond financing. Backing out the capital fund from total revenue and available fund balance results in revenues of \$23.5 million and available fund balance of \$4.1 million or 17.3% of revenue, which is more in line with other A-rated municipalities.

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 real GDP annual growth metric cited above is for the Syracuse, NY [issuer specific] Metropolitan Statistical Area.

Sources: US Census Bureau, Oneida (City of) NY's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Oneida is located in Madison County in Central [New York](#) (Aa1 stable) approximately 25 miles from [Syracuse](#) (A1 stable) and 20 miles from [Utica](#) (Baa1). The city provide general government, water and sewer services to a population of approximately 10,300 residents.

Detailed credit considerations

Oneida's local economy is stable, supported by modest residential, commercial and manufacturing growth. The city is located in central New York and is primarily residential although its largest taxpayers consist of utilities, manufacturing and several retail properties; the ten largest taxpayers total 17% of the city's full value. Although economic growth in this area of New York lags the US, city residents benefit from proximity to Syracuse and Utica for employment opportunities.

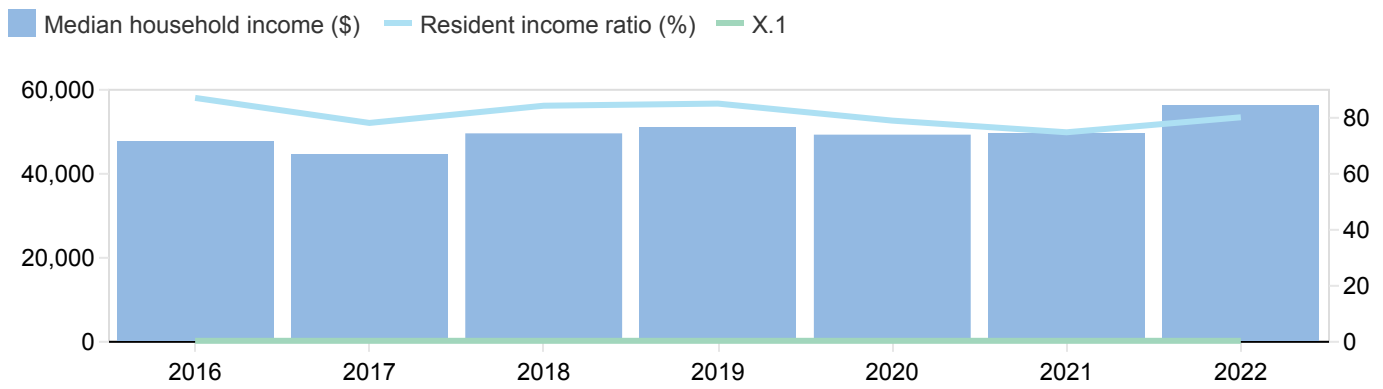
Oneida's financial position will remain healthy as preliminary numbers for fiscal 2023 show positive outcomes in the general, water and sewer funds which are the city's major governmental funds (the city has no business-type activities). Sewer fund revenues exceeded expenditures by about \$1.5 million, which is attributable to revenue growth from expanded industrial organics processing at the city's wastewater treatment plant and 35% rate increases in fiscals 2022 and 2023. There will be an additional 15% rate increase for both water and sewer in 2024. Any fund balance in excess of a 23% to 25% target in the water and sewer funds will go towards a bond reserve to bring down the issuance amount of permanent financing.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

The fund balances for the city's general, water and sewer funds are healthy in proportion to the city's operational size however the negative position in the city's capital fund is causing a severe distortion in the available fund balance ratio. The capital fund's negative position will be rectified through bond issuance net grant funding in the next year. After backing out capital fund activities, the city's fund balance of \$4.1 million or 17.3% of revenues is in line with similarly rated municipalities. The city also maintains strong restricted reserves not included in the available fund balance ratio but would be available for operations in those funds, including \$4.4 million in the water fund and \$1.8 million in the sewer fund.

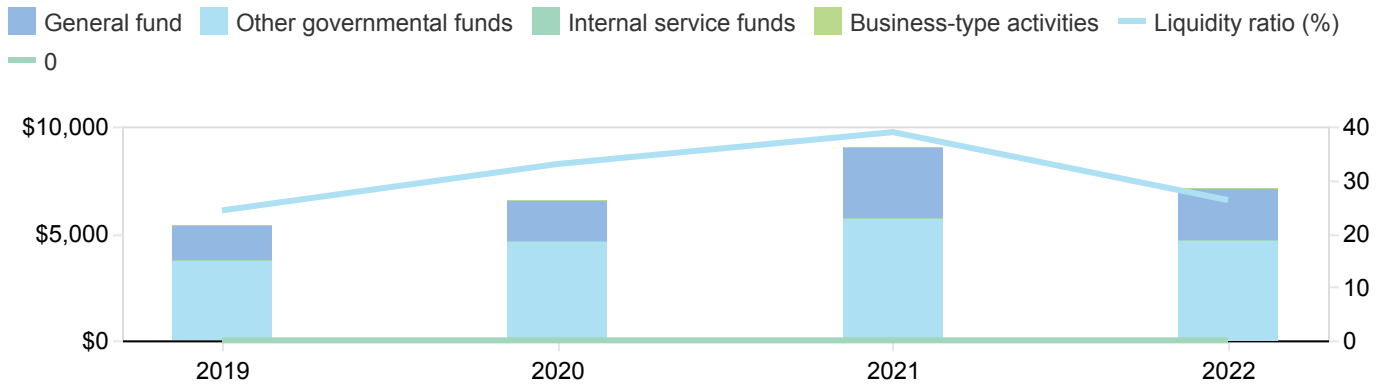
The city's leverage is high and will increase in the medium term as the city obtains permanent financing for outstanding short term debt and other expenditures related to the wastewater treatment plant capital project. Additionally the city will issue about \$6 million for renovations to Glenmore Dam to cover the city's remaining portion. The city will develop a five year capital plan in the near term and does not have any additional sizeable projects on the horizon.

Exhibit 2
Resident Income



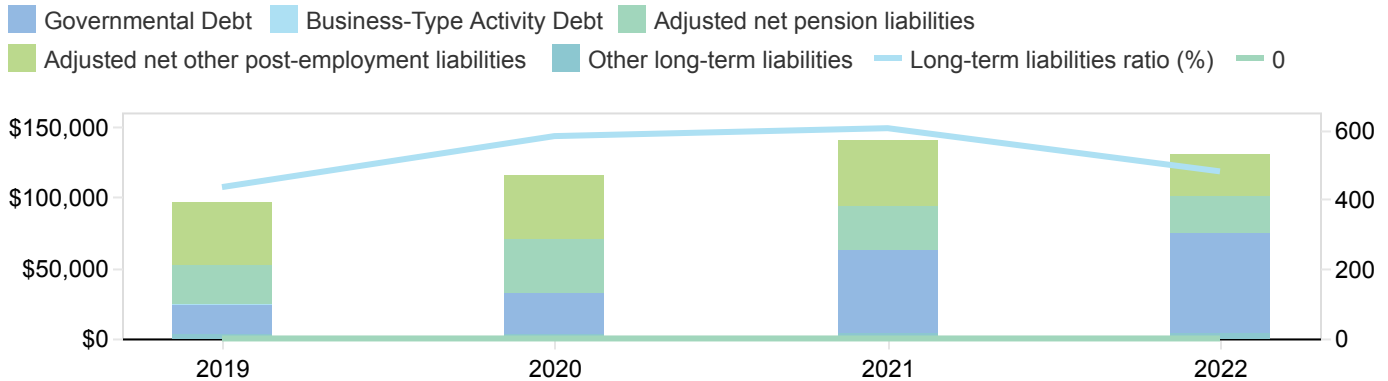
Source: Moody's Investors Service

Exhibit 3
Cash



Source: Moody's Investors Service

Exhibit 4

Total Primary Government - Long Term Liabilities

Source: Moody's Investors Service

ESG considerations**Environmental**

Physical environmental risks associated with climate change represent a moderate credit risk. Of the physical climate risks Moody's affiliate Four Twenty Seven evaluates, the city's most significant exposure is extreme rainfall with portions of the city in flood plains.

Following significant flooding in 2013, FEMA funded a program in which the city bought and demolished structures in city flood plains and agreed to build no permanent structures on the flood plain for 100 years.

Social

Social considerations are not material risks for the city. The resident population of Oneida has modestly decreased over the past decade. The city's poverty rate of 14.5% is comparable to the national average of 13.4%. As of January 2024, the unemployment rate within Madison County was 5.1%, which compares comparably to the state rate of 4.5% and the national rate of 3.9%.

Governance

Management evidences conservative budgetary practices through its stable reserves and liquidity and solid performance of general, water and sewer funds. Additionally, the city's chief financial officer/comptroller has established several reserves to provide additional operational flexibility. The city implements a 20% fund balance policy for its general, water and sewer funds.

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.

The difference between the scorecard-indicated outcome and the assigned rating is attributable to the distortion caused by a negative fund balance in the city's capital fund, which has resulted in a severely negative available fund balance position. The negative position will be made whole when the city obtains permanent financing for debt and expenditure related primarily to the city's wastewater treatment plant capital project. When arriving at the assigned rating, we considered the revenues and available reserves of the city's funds net the operations of the capital fund.

Exhibit 5

Oneida (City of) NY

	Measure	Weight	Score
Economy			
Resident income ratio	79.8%	4.2%	Baa
Full value per capita	61,915	4.2%	A
Economic growth metric	-1.6%	4.2%	A
Financial Performance			
Available fund balance ratio	-173.5%	66.7%	Ca
Liquidity ratio	26.2%	4.2%	A
Institutional Framework			
Institutional Framework	Aa	4.2%	Aa
Leverage			
Long-term liabilities ratio	480.6%	8.3%	Baa
Fixed-costs ratio	28.3%	4.2%	Ba
Notching factors			
Potential for significant change in leverage	-0.5		
Scorecard-Indicated Outcome			Caa1
Assigned Rating			A2

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Syracuse, NY [issuer specific] Metropolitan Statistical Area to the five-year CAGR of real GDP for the US

Sources: US Census Bureau, Oneida (City of) NY's financial statements and Moody's Ratings

Appendix

Exhibit 6

Key Indicators Glossary

	Definition	Typical Source*
Economy		
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
Financial performance		
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	
Leverage		
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	
Fixed costs		
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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