

# Upgrade for Putnam County, N.Y.

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A disciplined approach toward budgeting sales tax revenue was cited as New York's Putnam County received a rating upgrade.

Moody's Investors Service upgraded the suburban county 50 miles north of Manhattan to Aa1 from Aa2, citing reserves and liquidity in line with other counties at the same rating level. The upgrade applies to roughly \$57 million of outstanding general obligation limited tax debt and a \$3.3 million public improvement bond sale the county is planning.



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Putnam County

"The financial position will remain sound for the medium-term driven by the county's conservative budgeting, particularly for sales tax revenues," Moody's analyst Robert Weber wrote in a Sept. 12 report. "The county, once an annual issuer of cash flow notes, no longer relies on market access to fund day to day operations."

Putnam's 2019 budget was "conservatively balanced" with sales tax revenues projected to decline 4.5% compared to previous years. The conservative budgeting approach has helped mitigate risks associated with the economically-sensitive sales tax, which is the county's largest revenue source, according to Weber.

The Moody's upgrade also factored in Putnam's large and wealth tax base, which Weber said is continuing to stabilize as the local real estate market recovers toward pre-recession levels. The tax base has expanded for four consecutive years reaching \$14 billion in 2019 after contracting annually from 2009 to 2014. Weber noted that the recent growth is largely attributed to rising home values and a modest increase in new construction within the largely residential county.

"We are pleased that Moody's has recognized the results of Putnam County implementing sound fiscal management practices resulting in this rating upgrade," County Executive MaryEllen Odell said in a statement. "Putnam County taxpayers will save hundreds of thousands of dollars in interest costs as a result."

The county's pension and other employee benefit liabilities are "manageable", but also pose a potential future credit challenge, according to Weber. Return on assets in the state run pension plans and a future escalation of OPEB costs could materially affect fixed costs in the near future, Weber said. He noted though that Putnam's pensions are overfunded thanks to 2018 contributions exceeding the tread water mark.

Fixed costs in 2018 for pensions, OPEB and debt service represented a "manageable" 18.1% of operating revenues, according to Weber. The county is not expected to issue any new debt in 2019 after the public improvement bond transaction.

Putnam has a land area of 246 square miles bordered by Dutchess County to the north, Westchester County to the south, Connecticut to the east and the Hudson River to the west.

The county's population was estimated at 99,464 as of 2017, according to Moody's.

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