Moody's
INVESTORS SERVICE

Rating Action: Moody's assigns initial Baa3 to City of Pittston, PA's GO Bonds; outlook stable

10 Sep 2020

New York, September 10, 2020 -- Moody's Investors Service has assigned a Baa3 rating to City of Pittston, PA's $8.65 million General Obligation Bonds, Series A of 2020 and $3.73 million General Obligation Bonds, Series B of 2020 (Federally Taxable). This is an initial rating for the city. The outlook is stable.

RATINGS RATIONALE

The Baa3 rating reflects the city's very elevated leverage (7% of FV) with continued reliance on refinancings and pension obligation bonds to support annual debt service requirements. The city is reliant on economically sensitive earned income taxes (EIT), which have remained strong in 2020 despite the onset of the coronavirus pandemic. However, the city is also reliant on other sensitive fee and intergovernmental revenue streams that could be impacted by a prolonged recession. The general fund is supported by transfers from the city's sewer fund, which has a narrow cash position - just 60 days cash on hand - as of fiscal 2019 year end. The sewer fund also carries a large receivable that is likely not to be recovered in full. The city's Baa3 further reflects its small tax base with weak wealth indicators and high poverty. Favorably, the city's ongoing revitalization efforts are comprehensive and seem to be contributing to economic growth, as evidenced by strengthened EIT revenues prior to the onset of coronavirus. The city also benefits from management's formalized policies and practices. Both social considerations as well as governance factors were material to the assignment of this initial rating.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. We have incorporated our current understanding of these risks into our credit analysis for the city of Pittston. Nevertheless, the situation surrounding coronavirus is rapidly evolving and any longer-term impact on the city will depend on both the severity and duration of the crisis. If our view of the credit quality of the city changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The outlook is stable based on our expectation of continued weak financial and economic performance, commensurate with the current rating level, in the near term.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material improvement in fund balance and liquidity

- Improved sewer fund liquidity

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Any additional debt

- Further deterioration of fund balance or liquidity

- Inability to achieve and maintain structural balance

LEGAL SECURITY

The Bonds are General Obligation Bonds of the City, payable from its tax and other general revenues. The City has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Ordinance (defined herein) or any of its other revenues or funds, the principal of the Bonds and the interest thereon, at the place, on the dates and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the City irrevocably has pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable real property within the City, presently unlimited as to rate or amount for such purpose.

USE OF PROCEEDS

Proceeds of the Series A of 2020 Bonds will be used to: (1) currently refund the City's outstanding Guaranteed Sewer Revenue Note, Series of 2009 (the "2009 Note"); (2) currently refund the City's outstanding General Obligation Note, Series of 2015 (the "2015 Note"); (3) currently refund the City's outstanding General Obligation Note, Series of 2017 (the "2017 Note"); (4) currently refund the City's outstanding General Obligation Note, Series A of 2017 (the "2017 A Note"); (5) currently refund the City's outstanding General Obligation Bond, Series B of 2018 (the "2018 B Bond"); (6) currently refund the City's outstanding General Note, Series A of 2019 (the "2019 A Note"); (7) acquire capital equipment; (8) pay the costs of issuing and insuring the Series A of 2020 Bonds.

Proceeds of the Series B of 2020 Bonds will be used to: (1) currently refund the City's outstanding Federally Taxable General Obligation Note, Series A of 2015 (the "2015 A Note"), (2) currently refund the City's outstanding Federally Taxable General Obligation Note, Series C of 2018 (the "2018 C Note"); (3) currently refund the City's Redevelopment Authority of the City of Pittston's outstanding multiple advance promissory Note, Dated June 23, 2015, which is guaranteed by the City (the "Promissory Note") and (4) pay the costs of issuing the Series B of 2020 Bonds.

PROFILE

Pittston City is located in Luzerne County, roughly halfway between the cities of Wilkes-Barre and Scranton. The city is home to a resident population of about 7,700. It is a city of the third class, operating under a home rule charter, governed by an elected mayor and four additional elected city council members.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in July 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Nicolanne Serrano
Lead Analyst
Regional PFG Northeast
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Robert Weber
Additional Contact
Regional PFG Northeast
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653