



BOARD OF FIRE COMMISSIONERS

ELSMERE FIRE DISTRICT TOWN OF BETHLEHEM – ELSMERE, NEW YORK

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MOODY'S UPGRADES ELSMERE FIRE DISTRICT'S (NY) G.O. RATING TO Baa1 FROM Baa2

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UPGRADE AFFECTS \$1.3 MILLION IN OUTSTANDING GENERAL OBLIGATION DEBT

**Administrator,
Secretary-Treasurer**
George M. Kaufman

Elsmere Fire District, NY
Municipality
New York

Counsel
Terence S. Hannigan

NEW YORK, March 8, 2010 -- Moody's Investors Service has upgraded Elsmere Fire District's (NY) rating to Baa1 from Baa2, affecting \$1.3 million in outstanding debt secured by the district's general obligation,

unlimited tax pledge. Supported by strong fiscal management, the upgrade reflects the district's moderately sized \$940 million tax base and healthy financial position. The rating also incorporates the district's above average wealth levels and stable economy that benefits from close proximity to Albany (G.O. rated A3); the state capital. The rating additionally reflects the fire district's favorable debt burden (0.1% direct), which is expected to remain low, given the absence of future borrowing.

The highly residential district (85%) is located in Albany County (G.O. rated A1) and serves a portion of approximately 8,750 residents in the Town of Bethlehem (G.O. rated A1). Moody's expects continued stability in the district's financial operations through conservative budgeting and strong fiscal management. According to district officials, General Fund balance at the end of each fiscal year is between \$10,000 to \$30,000. At fiscal year-end, management transfers excess General Fund reserves to the Capital Reserve Fund, which accounts for the construction of new buildings and purchase of equipment. Once transferred, this money is not available for General Fund operations; however the timing of the transfer at the end of the fiscal year provides additional flexibility to fund mid-year budget adjustments. At the end of fiscal 2008 the district had a total Fund Balance, including the Capital Reserve Fund, of \$1.02 million or an ample 132.7% of revenues, following a surplus of \$120,000. Management reports that fiscal 2009 ended with an operating deficit of \$79,000 as a result of unanticipated costs associated to Firefighter physicals, equipment replacement, and insurance premiums for workers compensation; of which \$69,000 was funded out of the General Fund. District officials appropriated \$841,000 in the fiscal year 2010 budget; a \$57,000 increase from the prior years budget. The change is attributable to an additional increase in insurance premiums and equipment replacements, as well as, appropriating \$87,000 of Fund Balance for capital. Management does not have a formal fund balance policy and annually sets the tax

rate. The Town of Bethlehem collects the districts' taxes and is made whole by Albany County and to date, has not experienced any delays in receiving the necessary property tax revenues. All of the fire district's debt is fixed rate and the district is not party to any derivative agreements.

STRENGTHS

- * Stability in the district's financial operations expected to continue through conservative budgeting and strong fiscal management
- * Above average wealth levels and stable economy due to proximity to the state capital
- * Low debt burden with no future debt plans

CHALLENGES

- * Moderately sized tax base expected to slow down given the ongoing economic recession and housing market downturn

KEY STATISTICS:

2010 Estimated Population: approximately 8,750

2010 Full Valuation: \$940 million

2010 Full Value per Capita: approximately \$107,392

1999 Per Capita Income (Town of Bethlehem): \$31,492 (134.6% of NY and 145.9% of US)

1999 Median Family Income (Town of Bethlehem): \$77,211 (149.4% of NY and 154.3% of US)

Direct Debt Burden: 0.1%

2008 General Fund Balance (including Capital Reserve): \$1.02 million (132.7% of General Fund revenue)

Long-term G.O. Debt Outstanding: \$1.3 million

RATING METHODOLOGIES USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating Elsmere Fire District, NY was "General Obligation Bonds Issued by U.S. Local Governments," published in October 2009, and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer also can be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action was on November 11, 2003 when Moody's assigned the Baa2 rating on the district's general obligation debt.