MOODY'S INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Greenburgh, NY's $18M GO Bonds 2014 Ser. A & B

Global Credit Research - 25 Aug 2014

Town has $56.9M of outstanding debt

GREENBURGH (TOWN OF) NY
Cities (including Towns, Villages and Townships)
NY

Moody's Rating

ISSUE		RATING
Public Improvement (Serial) Bonds, 2014 Series A		Aaa
Sale Amount	$12,501,367	
Expected Sale Date	08/27/14	
Rating Description	General Obligation	
Public Improvement (Serial) Bonds, 2014 Series B (Federal Taxable)		Aaa
Sale Amount	$5,500,000	
Expected Sale Date	08/27/14	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, August 25, 2014 --Moody's Investors Service has assigned a rating of Aaa to the Town of Greenburgh's (NY) $12.5 million Public Improvement (Serial) Bonds, 2014 Series A and $5.5 million Public Improvement (Serial) Bonds, 2014 Series B (Federally Taxable). Concurrently, Moody's has affirmed the Aaa rating on the town's $56.9 million of outstanding general obligation debt. The bonds are secured by a General Obligation pledge as limited by the Property Tax Cap - Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011). Proceeds from the Series A bonds will fund various capital projects of the town and Series B will fund a settlement of a legal claim.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's affluent and sizeable tax base, sound financial position with strong fiscal management and low debt profile.

STRENGTHS

- Strong fiscal management

- Affluent and sizeable tax base

- Below average debt profile

CHALLENGES

- Annual appropriation of fund balance

- Modest tax base decline

- Financial constraints due to reallocation of fund balance to cover school district warrants

DETAILED CREDIT DISCUSSION

LARGE, AFFLUENT RESIDENTIAL AND COMMERCIAL TAX BASE

Greenburgh is located in Westchester County (Aa1 stable) with a population of 90,367, and benefits from its close proximity to New York City (Aa2 stable). The town's large; $15.5 billion tax base is expected to remain stable over the medium term despite continued declines due to market depreciation and tax appeals. Greenburgh is primarily residential (61% of 2014 assessed value) and also includes significant commercial and retail components (31%). It includes six incorporated villages (Hastings-On-Hudson rated Aa3; Dobbs Ferry rated Aa2; Ardsley rated Aa2; Irvington rated Aa2; Tarrytown rated Aa2; and Elmsford rated A1) and a large unincorporated area. The town's assessed value has steadily declined over the years to produce a five year compound annual decline of 1.2%. In addition, fiscal 2014 had a 4.7% decline in full value and contributing to a total decline of 19.8% since 2010. In addition to the weakened housing market, ongoing tax appeals have contributed to the decline in values. The town maintains tax certiorari reserves in both the General Fund and Town Outside Fund and routinely budgets for the settlement of tax appeals. Management actively monitors the tax certiorari liability and in fiscal 2013 began a three year reassessment project that is anticipated to eliminate material tax appeals beginning in fiscal 2017. Over the medium term, the project should result in a positive turnaround in valuations by stabilizing what has been an ongoing tax appeal process that results in volatile annual tax liability and contributes to valuation declines.

Positively, the town's wealth levels are well above the state and national averages with median family income equal to 2 times the national average. New development has remained stable with building permits exceeding budget estimates and recent projects expected to add to the tax roll; such as the Regeneron Pharmaceutical Inc. expansion acting as an anchor tenant for a growing bio-research area followed by additional mixed use development. In addition, the Avalon Green residential development is currently undertaking its phase III expansion. Also, the town's unemployment rate of 4.5% (June 2014) continues to trend well below the state (6.5%) and US (6.3%).

FINANCIAL POSITION BENEFITS FROM STRONG FISCAL MANAGEMENT WITH NEAR TERM PRESSURE FROM TAX CERTIORARI LIABILITY AND INCREASE IN NONSPENDABLE RESERVES

Moody's expects the town will continue to maintain a sound financial position given conservative budget practice and management's demonstrated commitment to maintaining ample reserve levels. The strong fiscal management is expected to continue to mitigate pressure from volatile tax certiorari liabilities and recent need to reallocate reserves to cover tax warrants due to an increasing amount of unpaid school district taxes. The fiscal 2013 audited financials (December 30) reflect a slight operating deficit of $217,000 (after netting out issuance premium and insurance recoveries) in the operating funds which include the General Fund, Town Outside Village (TOV) Fund, Highway Fund and Debt Service Fund. The deficit is attributed to the General Fund experiencing a decline in local revenue receipts and planned use of reserves in the Highway Fund. The TOV fund experienced an operating surplus due to an increase in sales tax revenues and reduction in tax certiorari refunds. Additionally, the town reallocated approximately $3.7 million of unassigned reserves to nonspendable reserves in the General Fund to offset a growing amount of unpaid school district taxes that the town is required to pay. The reallocation of reserves reduced the available fund balance to $24 million (28.1% of revenues) while total fund balance remained relatively unchanged at $38.2 million (44.6% of revenues). Over the near term, the town has addressed the rising amount of unpaid school taxes by instituting a tax amnesty program and projected stricter local tax laws to be enforced. In addition, the town plans to use an estimated $2 million in unbudgeted revenues from the sale of property to flow directly to reserves and mitigate the reallocation in fiscal 2014 or 2015.

The fiscal 2014 budget includes a 9.58% increase in the General Fund due to salary increases and budgeting for uncollected taxes. The TOV expenditures increased by 2.24% also due to a rise in salaries and budget for tax certiorari liability. The budget increases are balanced with tax levy increases in-line with the tax cap and an increase in appropriations of reserves. The General Fund budget included a $1.1 million fund balance appropriation and year-to-date projections are trending positive. Including unbudgeted, one-time revenues of $2.5 million from the sale of property, the General Fund is expected to fully replenish the reserve appropriation and end with a $2.8 million operating surplus. The TOV fund increased its fund balance appropriation to $3.4 million and conservative budget projections reflect a year-end operating deficit of $349,000.

Greenburgh derives the majority of its operating revenues from property taxes (74% of 2013 revenues); with a significant portion of those revenues directed toward public safety (22% of 2013 expenditures) employee benefits (22%) and general government (16%). Going forward, efforts to reduce the tax certiorari liability through a multi-year reassessment project and stem the increase in unpaid school taxes should stabilize operations over the medium term. Management's ability to balance these pressures while maintaining its solid reserve position will be an important factor in the town's credit strength.

BELOW AVERAGE DEBT PROFILE

Greenburgh's debt position is expected to remain manageable, given it's below average direct debt burden of 0.4% of full value and average principal amortization of 73.4% within 10 years. When factoring in the existing overlapping debt from the local municipalities, the town's overall debt burden increases to 2.9% of full value, still a relatively manageable level. The town's three year capital improvement plan includes up to $36.3 million of additional borrowing over the next two years with approximately 56% related to water district improvements which are intended to be self supporting. Debt service for fiscal 2013 represented 8.8% of operating expenditures. The town has no variable rate debt outstanding and has not entered into any derivative agreements.

The town participates in the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System, two multi-employer, defined benefit retirement plans sponsored by the State of New York (Aa1 stable). The town's combined annual required contribution (ARC) for the plans was $8.6 million in fiscal 2013, or 10% of operating fund expenditures. The town's 2012 combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $81.9 million, or approximately an average 1.02 times operating fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities. We determined the town's share of liability for the state-run plans in proportion to its contributions to the plans.

WHAT COULD MAKE THE RATING GO DOWN

- Prolonged structural imbalance

- Significant reduction in reserves

- Material decrease in tax base

KEY STATISTICS

2014 Full Valuation: $15.5 billion

2014 Full Value Per Capita: $172,029

Median Family Income as % of US Median: 204.7%

Fiscal 2013 operating fund balance as a % of revenues: 28.1%

5-Year Dollar Change in Fund Balance as % of Revenues (2009-2013): -6.21%

Fiscal 2013 Cash Balance as % of Revenues: 81.5%

5-Year Dollar Change in Cash Balance as % of Revenues (2009-2013): -12.3%

Institutional Framework: "A"

5-Year Average Operating Revenues / Operating Expenditures (2009-2013): 1.00x

Net Direct Debt as % of Full Value: 0.4%

Net Direct Debt / Operating Revenues: 0.82x

3-Year Average of Moody's ANPL as % of Full Value: 0.43%

3-Year Average of Moody's ANPL / Operating Revenues: 0.8x

RATING METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt 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 rating action on the support provider and in relation to each particular 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.

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