MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Greenburgh, NY's $13.4M GO Bonds

Global Credit Research - 22 Oct 2013

Affirms Aaa on $49.7M in rated debt outstanding

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

Moody's Rating

ISSUE		RATING
Public Improvement (Serial) Bonds, 2013 Series A		Aaa
Sale Amount	$11,880,066	
Expected Sale Date	10/30/13	
Rating Description	General Obligation	
Public Improvement (Serial) Bonds, 2013 Series B (Federally Taxable)		Aaa
Sale Amount	$1,500,000	
Expected Sale Date	10/30/13	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, October 22, 2013 --Moody's Investors Service has assigned a rating of Aaa to the Town of Greenburgh's (NY) $11.9 million Public Improvement (Serial) Bonds, 2013 Series A and $1.5 million Public Improvement (Serial) Bonds, 2013 Series B (Federally Taxable). Concurrently, Moody's has affirmed the Aaa rating on the town's $49.7 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 town reassessment project.

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

- Sound financial position with strong fiscal management

- Affluent and sizeable tax base

- Below average debt profile

CHALLENGES

- Annual appropriation of fund balance

- Modest tax base decline

- Continued budget constraint due to tax certiorari claims

DETAILED CREDIT DISCUSSION

LARGE, AFFLUENT RESIDENTIAL AND COMMERCIAL TAX BASE

Greenburgh is located in Westchester County (GO rated Aaa/negative) with a population of 88,400, and benefits from its close proximity to New York City (GO rated Aa2/stable). The town's large; $16 billion tax base is expected to remain stable over the near term despite recent declines due to market depreciation and tax appeals. Greenburgh is primarily residential (62% of 2013 assessed value), but 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 average decline of 1.5%. In addition, fiscal 2011 had a material decline of 14% in full value, bringing the five-year average decline in full value to 4.5%. In addition to the weakened economy, 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 ($2.7 million in 2012) and routinely budgets for the settlement of tax appeals. Town management actively monitors the tax certiorari liability and in fiscal 2013 the town will begin a three year reassessment project that is anticipated to eliminate material tax appeals beginning in fiscal 2016. Over the medium term, the project should result in a positive turnaround in the town's valuations by stabilizing what has been an ongoing tax appeal process that results in volitale 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 of $135,030 (195% and 210%, respectively.) 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 has completed its 400 unit project on the Hudson River and is contemplating an additional 100 unit expansion in the coming years. Also, the town's unemployment rate of 5.4% (July 2013) continues to trend well below the state (7.6%) and US (7.7%).

HEALTHY FINANCIAL POSITION WITH STRONG FISCAL MANAGEMENT WITH MODERATE PRESSURE FROM TAX CERTIORARI LIABILITY

Moody's expects the town will continue to maintain a healthy financial position given conservative budget practices and management's demonstrated commitment to maintaining ample reserve levels. Despite ongoing pressure from volatile tax certiorari liabilities each year which have caused a slight decline in fund balance, albeit at still above average levels for the high quality rating category. The fiscal 2012 audited financials (December 30) reflect a slight operating surplus of $144,000 in the General Fund attributed to an increase in mortgage tax revenue of $235,932 and conservative budgeting with no appropriation of fund balance. The surplus increased the General Fund balance to $14.5 million (97% of General Fund revenues) and the unassigned fund balance to $6.5 million (43.6%). The combined operating funds (General Fund, Town Outside Village Fund, Highway Fund and Debt Service Fund) reflect a moderate $662,000 operating deficit (net of refunding bond sources in the General Fund and Debt Service Fund) for the first time in two years. The deficit is primarily due to operations within the Town Outside Village Fund (TOV) which included an appropriation of $1.3 million of fund balance. The TOV fund experienced a negative variance in budget to actual related to tax certiorari liability; almost $1 million above budget and conservative departmental budgeting was not enough to offset the fund balance appropriation. The operating deficit reduced the combined operating fund balance to $37.8 million (47% of operating fund revenues) and the unassigned fund balance to $6.5 million (8.1%). Both the General Fund and combined operating fund continue to be in compliance with the town's formal fund balance policies. In addition, the town continues to benefit from economically sensitive revenues which continue to improve over the last few years. Both mortgage and sales tax revenues are conservatively budgeted for and have provided positive revenue variance in both the General Fund and combined operating fund.

The fiscal 2013 General Fund budget increased by 2% and is balanced with a small $127,000 fund balance appropriation. Year to date revenues are trending favorably with mortgage tax receipts at 30% above 2012 year to date levels. While revenues have trended positively, management projects to finish the year with no change in fund balance as personnel expenses are exceeding budget. The combined operating fund budget increased 3.1% and is balanced with a $1.5 million appropriation of reserves. The TOV fund is projected to end the year using $1 million in fund balance, still keeping the reserves well above the fund balance policy target. The fiscal 2014 preliminary budget increases expenditures by 4% and will include a tax rate increase equal to the tax cap or could include an override up to 2.66% depending on final review. The TOV fund will continue to appropriate fund balance of $2 to $3 million depending on the tax increase.

The Consolidated Water Fund had experienced financial strain in recent years resulting in a $1.5 million advancement from the General Fund in 2010. However, due to two consecutive rate increases totaling 70% in fiscal 2012, the fund is back to structural balance and repaid the General Fund advancement. The fund ended 2012 with $144,000 of unrestricted assets, a material improvement from the negative $3.2 million from a prior year. The town's Sewer Fund is operating at a surplus and neither fund has any consent decrees.

Greenburgh derives the majority of its operating revenues from property taxes (73.5% of 2012 revenues); with a significant portion those revenues directed toward public safety (23.3% of 2012 expenditures) employee benefits (21.2%) and general government (15.9%). Going forward, efforts to reduce the tax certiorari liability through a multi-year reassessment project 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 74.6% 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 $18.8 million of additional borrowing over the next two years. Debt service for fiscal 2012 represented 9.4% of combined 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 (GO rated Aa2/positive). The town's combined annual required contribution (ARC) for the plans was $7 million in fiscal 2012, or 8.7% of operating fund expenditures. The town's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $54.6 million, or approximately a below average 0.69 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 FACTS:

2013 Full Valuation: $16 billion

2010 Population (US Census): 88,400

Average Annual Increase in Full Valuation (2009-2013): -4.5%

Average Annual Increase in Assessed Valuation (2009-2013): -1.5%

Median Family Income: $135,030 (195% of state, 210% of US median)

Full Value per Capita: $180,076

Unemployment (July 2013): 5.4% (7.6% of state, 7.7% of US median)

FY12 Total General Fund Balance: $14.5 million (96.9% of General Fund revenues)

FY12 Combined Operating Fund Balance: $37.8 million (47% of General, Town Outside Village, Highway and Debt Service revenues)

Direct Debt Burden as % of Full Value: 0.4%

Overall Debt Burden as % of Full Value: 2.9%

Amortization of Principal (10 years): 74.6%

Post-sale General Obligation Debt Outstanding: $63.7 million

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. 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.

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

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