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Summary:

Greenburgh, New York; General Obligation

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Summary:

Greenburgh, New York; General Obligation

Credit Profile		
US$12.501 mil pub imp (serial) bnds ser 2014A due 04/15/2034		
Long Term Rating	AAA/Stable	New
US$5.5 mil pub imp (serial) bnds ser 2014B due 04/15/2024		
Long Term Rating	AAA/Stable	New
Greenburgh Twn GO		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to the town of Greenburgh, N.Y.'s series 2014A and federally taxable 2014B public improvement (serial) bonds. The rating is based on our local GO criteria released on Sept. 12, 2013. At the same time, Standard & Poor's affirmed its 'AAA' long-term rating on the town's outstanding GO debt. The outlook is stable.

A pledge of the town's faith, credit, and taxing powers to levy ad valorem property taxes without limitation as to rate or amount secures the bonds. The town intends to use proceeds from the series 2014A to fund various capital projects, and proceeds from the 2014B issue to pay for the cost of a settlement claim.

The rating reflects our assessment of the following factors for the town:

- Very strong, broad, and diverse economy, with easy access to the New York City metropolitan statistical area;
- Strong management conditions with good financial policies and a consistent ability to maintain balanced budgets;
- Very strong budgetary flexibility with audited 2013 reserves at 22% of expenditures, net of adjustments;
- Strong budgetary performance that takes into account a stable revenue stream;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures; and
- Adequate debt and contingent liability position with a slightly elevated pension and other postemployment benefits (OPEB) contribution level.

Very strong economy

We consider Greenburgh's economy to be very strong. The town is located in Westchester County, 25 miles north of New York City. Its residents have various commuting options and ample employment opportunities in Westchester, northern New Jersey, New York City, and Connecticut. The town's economy is broad and diverse, in our view. The primarily residential town is situated in one of the most affluent counties in the U.S. This is supported by income and wealth levels that exceed both the state and national averages, and unemployment that is below state and national averages. The county unemployment rate for 2014 is 6.3%. Projected per capita effective buying income is 209% of the nation. Despite its mature, residential nature, there is ongoing modest economic development and redevelopment primarily in the residential sector. However, ongoing tax certiorari appeals, primarily from leading taxpayers, have offset tax base growth. Assessed value declined 4.6% over the past five years. Nonetheless, the town maintains conservatives policies and budgets reserves for these appeals annually. Although tax certiorari appeals remain outstanding, they have declined in terms of numbers and values. Lastly, a property revaluation currently underway is expected to become effective for June 2016. Management believes the revaluation could result in fewer tax certiorari appeals in the future.

Strong management conditions

We view the town's management conditions as strong with good financial practices and policies. The town compiles annual budgets using standard assumptions and tracks performance against the budget. It uses a debt management plan and a formal investment policy. The town comptroller maintains a three-year financial forecast, but we understand this has not been formally adopted and is used more for internal budgeting purposes. The town maintains a three-year capital plan, although capital needs funding is typically handled in the current year from ongoing operations.

Very strong budgetary flexibility

In our opinion, budgetary flexibility remains very strong, with reserves above 20% of expenditures for each of the last three audited years. Furthermore, the town has no plans to significantly spend them down. With fiscal 2014 already beyond the midway point, management expects to close with a $2.48 million operating surplus (both the general fund and town outside village fund). For audited fiscal 2013, reserves were $18.7 million, or 22.3% of expenditures, net of adjustments. Given the residential nature of the town, property taxes account for the largest portion of revenues at 70%.

Strong budgetary performance

The town's budgetary performance has been strong overall, in our view, with a surplus of 3.5% for the general fund in fiscal 2013 and a very modest deficit of 0.1% for total governmental funds. Primary revenues are strong with property taxes accounting for roughly 70% of revenues; we consider property taxes a stable revenue stream. Based on a projected $2.48 million surplus at year-end, reserves should remain consistent with prior years. The town is – and intends to remain - in complaince with the state-imposed 2% levy cap. Furthermore, the town continues to budget conservatively, especially in light of historical tax certiorari claims, which it budgets for annually with amounts sufficient to cover reimbursements.

Very strong liquidity

Supporting the town's finances is what we consider very strong liquidity, with total government available cash at 108% of total governmental fund expenditures and over 10x debt service. The town has strong access to external liquidity. Greenburgh has a record of what we consider sufficient access to capital markets, and we have no reason to believe that access has diminished.

Adequate debt and contingent liquidity profile

The debt and contingent liability profile is adequate, with total governmental funds debt service at 8.2% of total governmental funds expenditures, and net direct debt at 80% of total governmental funds revenue. Following this issuance, total net debt will be just under 3% of market value. Amortization of direct debt is in excess of 65% for the first 10 years and 100% over 20 years. The town does have capital needs of roughly $10 million over the next one to two years. However, it is unclear if the town will finance its spending completely with GO debt or fund a portion of it internally. The town does not have any contingent liabilities that would place liquidity demands on its cash position.

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Most town employees are members of the New York State and Local Retirement System, or the New York State and Local Police and Fire Retirement Systems. Both plans are multiple-employer, cost-sharing systems. The pension costs and OPEB benefits (on a pay-as-you-go basis) accounted for 14% of expenditures in fiscal 2013.

Strong Institutional Framework

We consider the Institutional Framework score for New York towns strong.

Outlook

The stable outlook reflects our opinion of the town's very strong economy, which benefits from its proximity to New York City. The town's stable financial position is bolstered by its strong management and budgetary performance and very strong budgetary flexibility and liquidity. As such, we do not expect to change the rating in our two-year outlook horizon. However, if capital needs and pension and OPEB costs significantly increase or market values deteriorate and a greater portion of reserves is used to fund the costs, the rating may be pressured.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of August 26, 2014)		
Greenburgh GO		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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