

# RatingsDirect®

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## Summary:

# Nyack, New York; General Obligation

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### Credit Profile

US\$2.44 mil pub imp (serial) bnnds ser 2012 dtd 12/13/2012 due 08/01/2031

*Long Term Rating* A/Stable New

Nyack Vill GO

*Long Term Rating* A/Stable Upgraded

## Rationale

Standard & Poor's Ratings Services raised its long-term rating on the village of Nyack, N.Y.'s general obligation (GO) debt to 'A' from 'A-' due to two consecutive general fund surpluses that have eliminated the deficit, coupled with a general fund projection that shows surpluses through fiscal 2015. At the same time, Standard & Poor's assigned its 'A' long-term rating to the village's 2012 GO public improvement bonds. The outlook is stable.

The rating reflects the village's:

- Access to employment opportunities in the New York City metropolitan area;
- Stable property tax base with extremely strong wealth and strong-to-very strong income levels;
- Moderate debt, coupled with rapid principal amortization; and
- Improved general fund position following a newly implemented management team.

Offsetting these factors is a history of weak financial operations coupled with low cash levels.

The GO bonds are secured by Nyack's faith and credit pledge. Proceeds will be used to redeem the village's outstanding bond anticipation notes as well as finance various capital projects.

Located on the Hudson River, about 20 miles northwest of New York City and close to the Tappan Zee Bridge, Nyack is a largely residential village with an active commercial section. It encompasses a 1.6-square-mile section of Rockland County and is situated primarily in the town of Orangetown. The village has a stable population of roughly 6,500 and above-average economic indicators. Its median household effective buying income (EBI) is strong at 120% of the national average. On a per capita basis, its EBI of 151% is very strong. Major employers in Rockland County include Wyeth-Ayerst Laboratories (2,450 employees), Bon Secours Good Samaritan Hospital (2,100), and Nyack Hospital (1,500). Residents also have good access to jobs in New York City and Westchester County. The unemployment rate in Rockland County for the first nine months of 2012 averaged 7%, which was well below the state's 8.8%.

The village's assessed value (AV) declined at an average annualized pace of 0.2% since fiscal 2009, to \$348.1 million in 2013. The corresponding full value is \$700.8 million, which we consider extremely strong at about \$110,000 per capita. The top 10 taxpayers accounted for a very diverse 9.1% of 2012 AV, with the major taxpayers consisting primarily of apartment and condominium developments. Management reports no major damage to village infrastructure or its property tax base related to Hurricane Sandy.

The village's financial position improved considerably in the past two fiscal years, following a January 2010 restructuring that resulted in managerial changes as well as strengthened operational and financial practices. Surpluses in 2011 and 2012 raised the total general fund balance to \$336,746 at 2012 year-end, from negative \$189,208 at the close of 2010 (May 31). While we consider the total available general fund balance to be good at 6.8% of expenditures, we note that most of the village's assets are in the form of receivables (\$548,169) and that cash (\$142,540) represents just 10 days of expenditures. In fiscal 2012, sources of revenue in the general fund included property taxes (60%), charges for services (20%), and state sources (12%). Any unpaid property taxes are guaranteed by the county and charges for services include ongoing lease payments from the parking authority that consist of parking fines and meter revenue. The village has considerable revenue raising flexibility under the tax levy limit law, which we view as a credit strength; in fiscal 2012 and 2013, the annual increases were just 0.96% relative to the 2% cap.

The village is halfway through its 2013 fiscal year and management reports general fund revenues and expenditures are largely on track with the exception of overtime and cleanup costs related to Hurricane Sandy. Management estimates hurricane costs to be around \$100,000 and expects full reimbursement from the Federal Emergency Management Agency. Should the cash come in by year-end, management projects a \$160,000 general surplus. If the cash does not arrive as expected, we understand a short-term revenue anticipation note could be issued. Management will begin work on the fiscal 2014 budget in December. However, its multiyear financial forecast shows general fund surpluses through 2015. Ultimately, management expects the general fund balance to total \$606,185 at 2015 year-end, which is 10.9% of projected expenditures.

The village's financial practices are considered "standard" under Standard & Poor's Financial Management Assessment. This indicates that adequate practices and policies exist in some, but not all key, areas. While management has implemented a long-term financial plan and capital improvement plan, it still lacks a general fund reserve policy.

The village's direct and overlapping debt burden is moderate at about 3% of full value and \$3,300 per capita. Debt service carrying charges were a low 9.8% in fiscal 2012. After this issuance, debt retirement is rapid, with 73% of principal scheduled to be repaid in 10 years. Management reports no additional debt plans in the next year.

Village payments to state retirement funds were \$ 505,665 in fiscal 2012. The village has not completed an assessment of its other postemployment benefits obligations (OPEB), as required by Governmental Accounting Standards Board 45. The village funds these obligations on a pay-as-you-go basis, paying \$335,679 in fiscal 2012. Combined, pension and OPEB payments represented 12% of total governmental expenditures.

## Outlook

The stable outlook reflects steps taken by the village's new management team to improve financial operations. We base this opinion on the two consecutive general fund surpluses that have eliminated the deficit, coupled with management's projection showing a continuation of the trend through 2015. Upward rating movement will likely depend on general fund surpluses coupled with a strengthened cash position but we do not expect that to occur within our two-year horizon.

## **Related Criteria And Research**

USPF Criteria: GO Debt, Oct. 12, 2006

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