

CREDIT OPINION

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 Rate this Research

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Tuckahoe (Village of) NY

Update to credit analysis

Summary

The [Village of Tuckahoe](#) (A1) benefits from a growing tax base favorably located north of Manhattan in Westchester County, NY. New budgeting and expense management procedures have improved the village's financial position in recent years, and the village has manageable leverage and fixed costs. The village's finances have stabilized following a history of property tax appeals, although reserves remain narrow for the rating category.

Tuckahoe is not susceptible to immediate material credit risks related to coronavirus. The longer term impact will depend on both the severity and duration of the crisis. The situation surrounding coronavirus is rapidly evolving. If our view of the credit quality of the village changes, we will publish our updated opinion at that time.

Credit strengths

- » Growing tax base
- » Strong resident wealth indicators
- » Low fixed costs

Credit challenges

- » Reserves and liquidity below rating medians
- » High proportion of long term liabilities from unfunded OPEB liabilities

Rating outlook

Moody's typically does not assign outlooks to local government issuers with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Material growth in liquidity and reserves
- » Continued tax base expansion

Factors that could lead to a downgrade

- » Declines in liquidity and reserves
- » Tax base contraction
- » Significant growth in long term liabilities and fixed costs

Key indicators

Exhibit 1

Tuckahoe (Village of) NY	2015	2016	2017	2018	2019
Economy/Tax Base					
Total Full Value (\$000)	\$912,410	\$993,646	\$1,097,327	\$1,147,293	\$1,199,269
Population	6,586	6,596	6,656	6,587	-
Full Value Per Capita	\$138,538	\$150,644	\$164,863	\$174,175	-
Median Family Income (% of US Median)	150.4%	135.9%	109.1%	123.7%	-
Finances					
Operating Revenue (\$000)	\$11,655	\$12,399	\$12,851	\$12,890	\$12,953
Fund Balance (\$000)	\$553	\$1,356	\$1,795	\$2,108	\$2,390
Cash Balance (\$000)	\$1,162	\$3,033	\$2,874	\$1,913	\$2,431
Fund Balance as a % of Revenues	4.7%	10.9%	14.0%	16.4%	18.5%
Cash Balance as a % of Revenues	10.0%	24.5%	22.4%	14.8%	18.8%
Debt/Pensions					
Net Direct Debt (\$000)	\$5,348	\$6,523	\$5,994	\$5,501	\$6,424
3-Year Average of Moody's ANPL (\$000)	\$17,953	\$18,965	\$19,826	\$20,244	\$20,517
Net Direct Debt / Full Value (%)	0.6%	0.7%	0.5%	0.5%	0.5%
Net Direct Debt / Operating Revenues (x)	0.5x	0.5x	0.5x	0.4x	0.5x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	2.0%	1.9%	1.8%	1.8%	1.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.5x	1.5x	1.5x	1.6x	1.6x

Source: Moody's Investors Service, audited financial statements, US Census Bureau

Profile

The Village of Tuckahoe is located in [Westchester County](#) (Aa1 NEG) in New York's Hudson Valley, approximately 10 miles north of New York City. The village's population as of 2018 was approximately 6,600.

Detailed credit considerations

Economy and tax base: Growing tax base driven by continued development

The village's primarily residential \$1.2 billion tax base is expected to continue growing through ongoing development and its favorable location in the New York City metropolitan area. Tuckahoe's full value has grown 31.4% over the past five years primarily driven by new residential development and development along its Marbledale Road corridor connecting its two downtown areas. Future developments include a 32 unit apartment building and a small office building.

Tuckahoe's wealth and income indicators are above average, with median family income at 123.7% of the U.S. median and high full value per capita of \$182,066. The village contains two Metro-North Railroad stations, and residents benefit from employment opportunities in New York City and other nearby metro centers.

Financial operations and reserves: Improving reserves driven by conservative management

Tuckahoe's reserves are expected to remain stable as management actively assesses revenues and adjusts expenditures accordingly. Improvement to the village's operating performance and reserves, which at close of fiscal 2019 were \$2.4 million or 18.5% of revenues, over the past five years is strongly attributable to conservative fiscal management. While the village currently anticipates a small deficit at fiscal 2020 close, management is implementing tight expense controls for the last month of the fiscal year to minimize it.

The village derives approximately 10% of its operating revenues from sales tax which the village has seen dip in the last quarter of fiscal 2020 due to the COVID-19 pandemic. When completing the fiscal 2020 budget the village did not factor in an anticipated but not

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finalized 1% sales tax increase so while sales tax receipts may be down in terms of performance over the past year, they are tracking well to the original budget. Revenues such as parking tickets and meters are also down.

Tuckahoe's finances were previously pressured by a significant volume of tax appeals. The village has adopted a more proactive approach to handling tax appeals by both budgeting \$110,000 annually in its general fund and better anticipating the timing of tax appeals. This approach has eliminated the need for the village to borrow for tax appeal payments.

LIQUIDITY

Cash and investments at the end of fiscal 2019 totaled \$2.4 million, equal to 18.8% of revenues.

Debt and pensions: Manageable long term liabilities and low fixed costs

The village's debt burden, currently at 3.0% of full value, is expected to remain low as future issuance plans are minimal. Tuckahoe management is anticipating an issuance currently assessed at approximately \$1.4 million for infrastructure and equipment scheduled for issue in the latter half of fiscal 2021 although these plans are subject to reassessment in the following months.

DEBT STRUCTURE

All of the village's debt is fixed rate. Amortization of existing debt is rapid with 86% retired within the next ten years.

DEBT-RELATED DERIVATIVES

The village is not a party to any swaps or derivatives.

PENSIONS AND OPEB

Tuckahoe's pension and OPEB liabilities are significantly larger than its debt and, though manageable at this time, represent a potential future credit challenge.

Exhibit 2

	Amount (\$ thousands)	% of Operating Revenues	Discount Rate
Operating Revenue	12,953		
Reported Unfunded Pension Liability	2,038	15.73%	7.00%
Moody's Adjusted Net Pension Liability	23,335	180.15%	3.83%
Reported Net OPEB Liability	31,311	241.73%	3.05%
Moody's Adjusted Net OPEB Liability	28,410	219.33%	3.69%
Pension Contribution	1,025	7.91%	
OPEB Contribution	771	5.95%	-
Net Direct Debt	6,424	49.59%	-
Debt Service	671	5.18%	-
Total Fixed Costs	2,467	19.05%	-

[1] A positive pension tread water gap reflects a pension contribution less than the amount required to prevent the unfunded liability from increasing if all plan assumptions are realized. A negative tread water gap reflects a contribution greater than the amount required to keep the unfunded liability from increasing if all assumptions are realized.

Source: Moody's Investors Service, audited financial statements

The village participates in two multiple employer cost-sharing pension plans. While the plans are relatively well funded, aggressive discount rates pose future credit risks. Positively, the village made 100% of its 2019 required contribution to the plans, a total of \$1,025,000 representing 7.9% of operating revenues. The contribution was in excess of the "tread water indicator," a credit positive.

Unlike pensions, the village's retiree healthcare (OPEB) liability is unfunded given that NYS law does not allow for an OPEB trust. However, the village's adjusted net liability is manageable at \$28.4 million (219% of operating revenues). The village funds OPEB on a pay-go basis which totaled \$771,000 (6.1% of operating expenses) in fiscal 2019.

Fiscal 2019 fixed costs, comprised of pensions, OPEB and debt service, totaled \$483,000 and represented a manageable 13.9% of operating revenues.

ESG considerations

There are no serious environmental considerations that could impact Tuckahoe's profile at this time. The village anticipates and experiences seasonal, low level storm damage and rain runoff pooling that does not have a deleterious effect to the village's finances or tax base.

The village is not exposed to any detrimental social factors. The village's population is stable and its median age of 39 is near the US median of 38. Poverty in Tuckahoe is very low at 6.3% compared to 14% nationally.

The village's governmental characteristics are strong. Current management, which has been in place for five years, has improved both the village's operational balance and its reserves and liquidity through conservative budgetary practices and strong expense anticipation and control.

New York Cities have an Institutional Framework score of A, which is moderate. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. New York Cities operate within a state-imposed property tax cap, which limits the ability to increase their operating levy by the lesser of 2% or CPI (before adjusting for exemptions and rollovers). However, this cap can be overridden at the local level, without voter approval. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. New York State has public sector unions and the additional constraint of the Triborough Amendment, which limits the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be moderate, or between 5-10% annually.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 3

Tuckahoe (Village of) NY		
Scorecard Factors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$1,199,269	A
Full Value Per Capita	\$182,066	Aaa
Median Family Income (% of US Median)	123.7%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	18.5%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	18.4%	Aa
Cash Balance as a % of Revenues	18.8%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	17.0%	Aa
Notching Factors: ^[2]		
Unusually volatile revenue structure: Anticipated loss of revenues due to COVID pandemic		Down
Other Analyst Adjustment to Finances Factor: Stabilization of fund balance and cash growth trends		Down
Management (20%)		
Institutional Framework	A	A
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.5%	Aaa
Net Direct Debt / Operating Revenues (x)	0.5x	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.7%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.6x	A
Notching Factors: ^[2]		
Other Analyst Adjustment to Debt and Pensions Factor: OPEB liabilities		Down
	Scorecard-Indicated Outcome	A1
	Assigned Rating	A1

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication

Source: Moody's Investors Service, audited financial statements, US Census Bureau

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