

## CREDIT OPINION

28 February 2018

Rate this Research >>

### Contacts

Isaac Rauch +1.212.553.4346  
Associate Lead Analyst  
isaac.rauch@moodys.com

Gregory W. Lipitz +1.212.553.7782  
VP-Sr Credit Officer/  
Manager  
gregory.lipitz@moodys.com

### CLIENT SERVICES

Americas 1-212-553-1653  
Asia Pacific 852-3551-3077  
Japan 81-3-5408-4100  
EMEA 44-20-7772-5454

## Tuckahoe (Village of) NY

Update following upgrade to A2 and assignment of a positive outlook

### Summary

The Village of Tuckahoe (A2) benefits from a growing tax base favorably located 15 miles 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 low leverage and manageable fixed costs. The village's primarily residential tax base has a history of volatility stemming from property tax appeals, and reserves remain narrow for the rating category.

On February 28, 2018, Moody's Investors Service upgraded the village to A2 from A3 and assigned a positive outlook.

### Credit strengths

- » Affluent and expanding tax base near New York City
- » Improved financial position with sound reserves and liquidity
- » Modest leverage with manageable fixed costs

### Credit challenges

- » Narrow reserves for the rating category
- » Volatile predominantly residential tax base, with historical pressure from tax appeals

### Rating outlook

The outlook reflects the positive trends in the village's financial position and the likelihood that it will strengthen over the next several fiscal years.

### Factors that could lead to an upgrade

- » A trend of operating surpluses, leading to material growth in liquidity and reserves
- » Continued tax base expansion
- » Diminished pressure from tax appeals

### Factors that could lead to a downgrade

- » A trend of operating deficits, leading to declines in liquidity and reserves
- » Tax base contraction

» Greater than expected pressure from tax appeals

## Key indicators

Exhibit 1

<b>Tuckahoe (Village of) NY</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$998,978	\$940,076	\$912,410	\$993,646	\$1,097,327
Population	6,519	6,559	6,586	6,615	6,615
Full Value Per Capita	\$153,241	\$143,326	\$138,538	\$150,211	\$165,885
Median Family Income (% of USMedian)	153.4%	134.5%	150.4%	150.4%	150.4%
<b>Finances</b>					
Operating Revenue (\$000)	\$11,163	\$11,656	\$11,655	\$12,399	\$12,851
Fund Balance (\$000)	\$406	\$9	\$553	\$1,356	\$1,795
Cash Balance (\$000)	\$1,234	\$227	\$1,162	\$3,033	\$2,874
Fund Balance as a % of Revenues	3.6%	0.1%	4.7%	10.9%	14.0%
Cash Balance as a % of Revenues	11.1%	1.9%	10.0%	24.5%	22.4%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$4,262	\$3,930	\$5,348	\$6,523	\$5,994
3-Year Average of Moody's ANPL (\$000)	\$11,934	\$15,113	\$17,953	\$18,965	\$19,826
Net Direct Debt / Operating Revenues (x)	0.4x	0.3x	0.5x	0.5x	0.5x
Net Direct Debt / Full Value (%)	0.4%	0.4%	0.6%	0.7%	0.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.1x	1.3x	1.5x	1.5x	1.5x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.2%	1.6%	2.0%	1.9%	1.8%

Total full value (\$000) grew to 1,147,293 in fiscal 2018

Source: Moody's Investors Service; Village's audited financial statements

## Profile

The Village of Tuckahoe is in the Town of Eastchester (Aaa) in Westchester County (Aa1 stable), 15 miles north of Manhattan. The population was 6,586 as of 2015.

## Detailed credit considerations

### Economy and Tax Base: Affluent tax base pressured by tax appeals

The village's primarily residential, \$1.15 billion tax base has expanded rapidly in recent years and should continue growing at a moderate pace because of ongoing development and its favorable location in the New York metropolitan area.

After moderate post-recession contraction, Tuckahoe's full value has grown at a 2.8% average annual rate over the last five fiscal years because of market appreciation and from a large housing development coming onto tax rolls in stages. A 150-room hotel and approximately 50 units of additional housing will enlarge the tax base over the next few years.

Property tax appeals have pressured Tuckahoe's tax base and budget, and in fiscal 2016, the village issued debt to pay \$844,420 in refunds accumulated in prior years. The village now budgets \$140,000 annually for tax refunds, and faces a manageable maximum liability of \$250,000 in fiscal 2018.

Tuckahoe's wealth and income indicators are above average for the sector and the region, with median family income at 150.4% of the U.S. median (above the national A2 category median of 84.2%) and high full value per capita of \$173,438 (well above the national

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

A2 category median of \$52,738). 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 financial position with narrow reserves**

After a series of operating deficits brought available general fund balance to 0.1% of revenue after fiscal 2014, the village's financial position has improved significantly over the last three fiscal years, and should stay stable going forward.

Conservative budgeting, expenditure controls, and modest growth in the property tax levy and other revenue streams have stabilized and improved of the village's finances. While new management issued debt to pay tax certiorari refunds, the issuance did not substantially increase the village's annual debt service. New budgeting procedures have helped the village control other operating costs, and overall expenditures were nearly flat from fiscal 2013 through fiscal 2017.

Between fiscal 2015 and fiscal 2017 the village added approximately \$1.8 million to general fund balance. At the end of fiscal 2017, general fund balance of 14% of revenues was adequate if still below the national rating category median of 28.4% of revenues.

The village did not exceed the property tax cap for fiscal 2018, and projects a modest operating surplus that will add approximately \$50,000 to fund balance.

### **LIQUIDITY**

The village held \$2.9 million in cash and investments (22.4% of revenues) at the end of fiscal 2017, near the national rating category median of 28.2% of revenues.

### **Debt and Pensions: Low leverage with manageable fixed costs**

The village has low overall leverage and manageable fixed costs that should stay stable in the near-term, as the district faces level debt service requirements, makes OPEB contributions on a pay-go basis, and funds the actuarially required contribution (ARC) on its pension liabilities.

At the end of fiscal 2017, the village had \$6 million (0.6% of full value) in debt outstanding, and debt service represented an affordable 5.5% of operating revenues during the fiscal year. The village expects to issue between \$1 million and \$1.5 million in new debt in the medium term for multiple small capital projects, which will not materially increase the debt burden.

### **DEBT STRUCTURE**

All of the village's debt is fixed-rate, with 84.5% of principal maturing within ten years.

### **DEBT-RELATED DERIVATIVES**

The village is not party to any interest rate swaps or derivative agreements.

### **PENSIONS AND OPEB**

The village participates in the New York State and Local Employees' Retirement System ("ERS") and New York State and Local Police and Fire Retirement System ("PFRS"), two multi-employer, defined benefit retirement plans sponsored by the State of New York (Aa1 stable). The village made 100% of its 2017 annual required contribution (ARC) to the plan, a total of \$1 million or 7.9% of operating revenues. The village's combined three year average adjusted net pension liability (ANPL), under Moody's methodology for adjusting reported pension data was \$19.8 million, or a moderate 1.5 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the village's reported liability information, but to improve comparability with other rated entities.

The OPEB liability is funded on a pay-as-you-go basis, and the village contributed \$670,000 or 5.2% of operating revenues in fiscal 2017. As of June 1, 2016 the most recent actuarial valuation date, the village had an unfunded actuarial accrued liability (UAAL) of \$23.4 million.

Total fixed costs, comprised of pensions, OPEB and debt service, were a manageable 18.6% of operating expenditures in fiscal 2016.

### **Management and Governance**

New York cities, towns, and villages have an Institutional Framework score of A, which is moderate compared to the nation.

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. However, this cap can be overridden at the local level, without voter approval. Unpredictable revenue fluctuations tend to be moderate, or between 5% and 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% and 10% annually.

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454