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Ratings

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Summary:

Tuckahoe Village, New York; General Obligation

Primary Credit Analyst:
Michael Ryter, Chicago +1 312 233 7016; michael.ryter@spglobal.com

Secondary Contact:
Lauren Freire, New York + 1 (212) 438 7854; lauren.freire@spglobal.com

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Credit Profile		
Tuckahoe Vill GO (ASSURED GTY)		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded
Tuckahoe Vill GO (BAM)		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings raised its rating on Tuckahoe Village, N.Y.'s outstanding general obligation (GO) debt to 'AA+' from 'AA'.
- The upgrade reflects our view of the village's strong budgetary performance, which has allowed it to sustain very strong reserves.
- The outlook is stable.

Security

The village's faith-and-credit pledge secures the bonds.

Credit overview

Tuckahoe is an affluent village encompassing roughly 0.7 miles within the town of Eastchester, 15 miles north of New York City, to which many residents commute for employment. The village continues to experience tax base growth because of a healthy real estate market and ongoing developments, most notably a new 153-room hotel that management estimates will generate approximately $180,000 in occupancy tax revenue in fiscal 2023. We expect that the village's economic metrics will remain very strong due to its proximity to New York City and the ongoing development.

Tuckahoe has produced an operating surplus each year since 2015, aside from a small (0.7%) deficit in fiscal 2020, which management attributes to the COVID-19 pandemic unexpectedly reducing parking and building permit revenues. The village benefits from a stable revenue mix, including property taxes (58.5%), county distributions (11.6%), and parking revenue (6.7%) mostly from commuters. In fiscal 2022, its strong performance was due in part to higher-than-expected business and occupational license revenues and $86,000 in American Rescue Plan Act (ARPA) funding used as revenue replacement. Parking revenues are almost at pre-pandemic levels, and the village has begun selling day parking in addition to annual passes. Tuckahoe expects to end fiscal 2023 with an operating surplus without using any ARPA funding for recurring purposes. Due partially to rising health care costs, Tuckahoe may exceed the 2% property tax increase cap in fiscal 2024; the village is considering deferring some capital purchases and forming a health insurance consortium with neighboring municipalities to reduce costs. Union contracts are settled through 2026, providing expenditure stability. We expect performance to remain strong, in part because it is supported by conservative budgeting practices and monthly monitoring. Each department develops a five-year capital needs list as part of the budget process but does not identify funding sources or conduct long-term planning. The village does not have a formal debt policy or investment policy outside following state law, but regularly reviews investments. Although Tuckahoe plans to draw down $200,000 for a library redesign project, it informally hopes to maintain reserves at 15% to 20% of general fund expenditures. We expect that its reserves and liquidity will remain very strong.

We view Tuckahoe's debt and liability profile as adequate, with manageable debt service, but with $28.4 million in unfunded other postemployment benefit (OPEB) liabilities as of May 31, 2022 that it funds on a pay-as-you-go basis, as state statute does not permit the funding of OPEB trusts. We believe this liability could continue to increase notwithstanding any changes in employee benefits, potentially leading to rising costs that could pressure the budget further going forward. The village is exploring ways to reduce retiree benefit costs. As of March 31, 2022, Tuckahoe participates in two state-administered pension plans with a combined $273,000 net pension asset. While pension costs remain somewhat elevated, we do not expect them to increase exponentially given the high funded ratios. The village has $7.7 million in debt direct debt and no planned issuances over the outlook period.

The rating further reflects our view of Tuckahoe's:

- Affluent residential economy and demand for development due to its proximity to New York City;
- Stable revenues and conservative budgeting practices that drive strong performance and maintenance of very strong reserves;
- Regular budget monitoring, but informal long-term planning and policies, supported by a strong institutional framework; and
- High OPEB liabilities with legal inability to prefund an OPEB trust, but manageable direct debt and well-funded pension plans.

Environmental, social, and governance

We view environmental risks as slightly elevated, given the village's location along the Bronx River and the potential for flooding. The village is working with neighboring municipalities to obtain federal funding for a study addressing options to increase river flood mitigation and water quality, although this would involve many actions to be taken by municipalities north of Tuckahoe. We view social and governance risks as neutral in our credit analysis.

Outlook

The stable outlook reflects our expectation that Tuckahoe will maintain strong budgetary performance and very strong reserves.

Downside scenario

We could lower the rating if the village's reserves were to materially decrease, due to either structural imbalance or a one-time expenditure, with no plans to restore them, or if its fixed costs increase, negatively affecting performance.

Upside scenario

We could raise the rating if Tuckahoe were to formally adopt and implement stronger financial policies and procedures and improve its debt-and-contingent-liability profile, while maintaining strong performance and very strong flexibility.

Tuckahoe Village, New York -- Key credit metrics				
	Most recent	**Historical information**		
		2022	**2021**	**2020**
Very strong economy				
Projected per capita EBI % of U.S.	194.7			
Market value per capita ($)	175,043			
Population			6,793	6,843
County unemployment rate(%)			4.8	
Market value ($000)	1,189,069	1,189,069	1,440,173	
Ten largest taxpayers % of taxable value	16.2			
Strong budgetary performance				
Operating fund result % of expenditures		1.7	0.1	(0.7)
Total governmental fund result % of expenditures		2.9	2.2	1.6
Very strong budgetary flexibility				
Available reserves % of operating expenditures		17.7	17.9	17.7
Total available reserves ($000)		2,569	2,319	2,305
Very strong liquidity				
Total government cash % of governmental fund expenditures		20.0	20.4	19.8
Total government cash % of governmental fund debt service		307.9	351.5	335.3
Adequate management				
Financial Management Assessment	Standard			
Adequate debt & long-term liabilities				
Debt service % of governmental fund expenditures		6.5	5.8	5.9
Net direct debt % of governmental fund revenue	51.4			
Overall net debt % of market value	3.1			
Direct debt 10-year amortization (%)	82.2			
Required pension contribution % of governmental fund expenditures		9.1		
OPEB actual contribution % of governmental fund expenditures		5.7		
Strong institutional framework				
EBI--Effective buying income. OPEB--Other postemployment benefits.				

Data points and ratios may reflect analytical adjustments.

Related Research

Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

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

Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

2022 Update Of Institutional Framework For U.S. Local Governments, Oct. 11, 2022