MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Bronxville NY's $5.2M GO Bonds

Global Credit Research - 14 Aug 2014

Affirms Aaa affecting $12.2M of GO debt outstanding

BRONXVILLE (VILLAGE OF) NY
Cities (including Towns, Villages and Townships)
NY

Moody's Rating

ISSUE	RATING
Public Improvement Refunding Serial Bonds, Series 2014A	Aaa
Sale Amount $5,165,000	
Expected Sale Date 08/20/14	
Rating Description General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, August 14, 2014 --Moody's Investors Service has assigned a Aaa to the Village of Bronxville's (NY) $5.2 million Public Improvement Refunding Serial Bonds, Series 2014A. Concurrently, Moody's has affirmed the Aaa rating on $12.2 million in outstanding general obligation debt. The bonds are secured by a General Obligation pledge as limited by the Property Tax Cap - Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011). Bond proceeds will refund the Series 2002 and Series 2005 bonds currently outstanding for an estimated net present value savings of $304,000, equal to 6.3% of refunded principal, with no extension of maturities.

SUMMARY RATING RATIONALE

The Aaa rating reflects the village's solid financial position with healthy reserve levels, stable and very affluent tax base, and low direct debt burden.

STRENGTHS

- Satisfactory financial flexibility due to healthy reserves

- Wealthy tax base

- Low direct debt burden

CHALLENGES

- Maintenance of favorable financial position amidst rising costs for salaries and employee benefits

DETAILED CREDIT DISCUSSION

SOLID FINANCIAL POSITION WITH HEALTHY RESERVES

Bronxville's practice of conservative budgeting, careful management of reserves, and tight fiscal controls have contributed to five operating surpluses in the past six years and a healthy reserve position. Fiscal 2013 ended with a $647,000 operating surplus due to conservative budgeting of sales tax revenue and building permit fees. The surplus increased the total General Fund balance to $3.2 million, or a healthy 23% of revenues, which is in compliance with a policy to maintain the General Fund at 20%. The majority of this balance ($2.8 million or 19.8% of revenues) continues to remain unassigned. The 2014 fiscal year ended May 31 and management reports that revenues came in above budgeted projections and another surplus is anticipated. The fiscal 2015 budget increased 3.4% due to rising costs for salaries and employee benefits and was balanced with a 2.87% tax levy increase and a $672,000 fund balance appropriation.

The village derives the majority of its revenues from property taxes (57.7% of 2013 revenues) and maintains excellent collections with 100% collected on a current basis annually. Sales tax accounted for 8.6% of revenues. The largest expenditure is public safety (25.2% of 2013 expenditures), followed by employee benefits (23.2%), and general government (16.5%).

MODEST GROWTH EXPECTED FOR AFFLUENT SUBURB IN WESTCHESTER COUNTY

Moody's expects the village to remain a stable and affluent suburb given accessibility to a wide range of employment centers in the region, including New York City (rated Aa2 stable) located 15 miles to the south. Located in Westchester County (rated Aa1 stable), the village is primarily residential and has one third of its properties revalued every year which has helped limit exposure to tax appeals. The tax base experienced declines in fiscal 2010 through 2012 (0.4%, 7.8% and 3.2%, respectively), reflective of the housing market downturn. Full value was essentially flat in 2013 and increased 0.5% in 2014, and management reports that home prices have increased over 15% since the downturn. The village has one new residential project underway that will generate building permit fees and, upon completion, approximately $600,000 in annual tax revenue. The 110,000 square foot project, called The Kensington, will consist of 54 condo units priced at over $1 million and a 203 space indoor parking lot that can be used exclusively by the village. Management plans to sell annual parking permits to commuters and merchants, adding yet another source of revenue. The strength of the village's tax base is evident in socioeconomic indicators that are four times state and national medians, which are among the highest in Westchester County and the nation. The concentration of wealth is also reflected in the village's substantial $436,247 full value per capita (five times the national median) due to a very high end housing stock (2012 median home value of $913,900 million).

DEBT POSITION WILL REMAIN MANAGEABLE

Bronxville's debt position will remain manageable given the above average amortization of principal and limited near-term borrowing plans. The direct debt burden is a below average 0.5% of full valuation and increases to 1.9% when accounting for the village's pro rata share of overlapping county, town, and school district debt obligations. Debt service accounted for 9.7% of 2013 expenditures and principal amortization is above average (83.1% retired in 10 years). Officials plan to issue up to $7 million in debt to fund various capital projects through fiscal 2018. All debt is fixed rate and the village is not party to any derivative agreements.

The village participates in the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System, two multi-employer, defined benefit retirement plans sponsored by the State of New York (rated Aa1 stable). The district's combined annual required contribution (ARC) for the plans was $1 million in fiscal 2013, or 7.4% of operating expenditures. The village's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $11.5 million, or 0.86 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. We determined the village's share of liability for the state-run plans in proportion to its contributions to the plans.

The OPEB liability is funded on a pay-as-you-go basis, and the village contributed $712,000 in fiscal 2013, representing 43% of its ARC. The total unfunded liability is $19.4 million as of June 1, 2012, the most recent valuation report. Total fixed costs for fiscal 2013, including pension, OPEB and debt service, represented $3 million, or an above average 22.5% of General Fund expenditures.

WHAT COULD MAKE THE RATING GO DOWN

- Structurally imbalanced financial operations which result in multi-year draws on reserves and/or reduced liquidity

- Significant erosion of the village's tax base

KEY STATISTICS:

2014 Full Value: $2.8 billion

2014 Full Value Per Capita: $436,247

Median Family Income as % of US: 399.6%

Fiscal 2013 General Fund balance as a % of Revenues: 23.0%

5-Year Dollar Change in Fund Balance as % of Revenues: 8.9%

Fiscal 2013 Cash Balance as % of Revenues: 22.32%

5-Year Dollar Change in Cash Balance as % of Revenues: 6.2%

Institutional Framework: A

5-Year Average Operating Revenues / Operating Expenditures: 1.0x

Net Direct Debt as % of Full Value: 0.5%

Net Direct Debt / Operating Revenues: 1.0x

3-Year Average of Moody's ANPL as % of Full Value: 0.2%

3-Year Average of Moody's ANPL / Operating Revenues: 0.7x

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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