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Ardsley (Village of) NY

Update following upgrade to Aa2

Summary

The Village of Ardsley (Aa2) is favorably located 15 miles north of Manhattan in Westchester County, NY and benefits from a mature tax base and high resident incomes. New budgeting practices have improved the village's financial position in recent years, and the village now has healthy liquidity and fund balance. The village has a moderate pension burden but manageable fixed costs.

Credit strengths

» Strong and improving reserves and liquidity

» High resident wealth and income levels

» Conservative fund balance policy and detailed 10-year capital plan

Credit challenges

» Moderate pension burden

» Modest size of financial position on absolute basis

Rating outlook

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

» Sustained operating surpluses, resulting in material increases in fund balance

» Significant tax base expansion

Factors that could lead to a downgrade

» A trend of operating deficits, leading to declines in liquidity and reserves

» Significant growth in the debt burden or fixed costs

» Tax base contraction or pressure on property tax revenue from appeals

Key indicators

Exhibit 1

Ardsley (Village of) NY	2013	2014	2015	2016	2017
Economy/Tax Base					
Total Full Value ($000)	$907,193	$904,212	$858,536	$904,419	$855,151
Population	4,455	4,471	4,519	4,570	4,570
Full Value Per Capita	$202,906	$200,091	$189,022	$195,170	$184,538
Median Family Income (% of US Median)	248.1%	249.6%	253.0%	271.8%	278.1%
Finances					
Operating Revenue ($000)	$10,808	$11,239	$11,714	$11,925	$12,549
Fund Balance ($000)	$1,481	$912	$1,472	$2,518	$4,346
Cash Balance ($000)	$939	$506	$1,586	$2,281	$4,367
Fund Balance as a % of Revenues	13.7%	8.1%	12.6%	21.1%	34.6%
Cash Balance as a % of Revenues	8.7%	4.5%	13.5%	19.1%	34.8%
Debt/Pensions					
Net Direct Debt ($000)	$6,237	$6,430	$6,710	$9,050	$8,258
3-Year Average of Moody's ANPL ($000)	$11,278	$15,168	$18,097	$18,871	$18,445
Net Direct Debt / Operating Revenues (x)	0.6x	0.6x	0.6x	0.8x	0.7x
Net Direct Debt / Full Value (%)	0.7%	0.7%	0.8%	1.0%	1.0%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.0x	1.3x	1.5x	1.6x	1.5x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.2%	1.7%	2.1%	2.1%	2.2%

Total full value ($000) grew to 1,044,209 in fiscal 2018 due to a revaluation

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

Profile

The Village of Ardsley is located approximately 15 miles north of New York City in the Town of Greenburgh (Aaa stable). The village had a population of approximately 4,570 as of 2016.

Detailed credit considerations

Economy and Tax Base: Affluent, largely residential tax base boosted by revaluation

The village's $1 billion tax base was pressured post-recession by residential property value declines, but grew 22.1% between the 2017 and 2018 budget years due to a revaluation and should remain stable going forward. Management reports lower-than-historical tax certiorari filings following the revaluation, and modest new residential and retail development in the village. While the tax base is largely built out, the village is undertaking a planning study to spur commercial development.

The village is located in the town of Greenburgh (Aaa stable), about fifteen miles north of New York City (Aa2 stable). Wealth and income levels are very strong, with median family income of $184,500, or 271.8% of the U.S. median, and full value per capita of $228,492, or 257% of the US median.

Financial Operations and Reserves: Improving financial position supported by conservative budgeting

The village's financial position has improved significantly and should remain stable, as the village has implemented an aggressive fund balance policy and used conservative budgeting to achieve three consecutive operating surpluses, with another expected in fiscal 2018. Fund balance (now 34.6% of operating revenues) grew by $2.9 million between 2015 and 2017, and the village remains committed to a policy of maintaining 18% unassigned fund balance as a percentage of annual expenditures.

In fiscal 2017, management implemented GASB statement number 73, which required the village to account for assets accumulated for pension payments not covered under GASB statement 68. This added $1.1 million to restricted fund balance attributable to assets held for the Length of Service Awards Program (LOSAP) available to volunteer firefighters. Net of this accounting change, the village ran a surplus of $515,000, increasing the unassigned fund balance to $2.6 million as of fiscal 2017 (20.3% of operating revenues).

The fiscal 2018 budget was balanced without the use of reserves and included a 3.7% increase to the tax levy, which exceeded the cap and was approved by the village board. The village expects a fourth consecutive operating surplus and to add approximately $200,000 to fund balance.

LIQUIDITY

At the end of fiscal 2017, the village held $4.4 million in cash and investments, which is in line with the rating category at 34.8% of revenues.

Debt and Pensions: Modest debt burden and moderate pension burden with manageable fixed costs

The village has a modest direct debt burden and a moderate pension burden with manageable fixed costs that should stay stable in the near term.

At the end of fiscal 2017, the village had $8.3 million (0.8% of full value of value) in direct debt outstanding, and debt service represented a moderate 8% of operating revenues during the fiscal year. The village maintains a detailed 10-year capital plan, and expects to issue approximately $6.6 million in new debt in the near-term, with $6 million of the proceeds financing a new garage to support highway operations. The village expects to issue notes to finance construction, and to take out the notes with long-term debt when construction is complete.

DEBT STRUCTURE

All of the village's debt is fixed-rate, with 75.1% 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

While the village's pension burden is above average for the sector, the village has no plans to defer its pension funding obligations.

The village participates in the New York State and Local Employees Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), both of which are multi-employer, defined benefit retirement plans sponsored by the State of New York. The village also has a Service Awards Program for volunteer firefighters. The village made 100% of its 2017 annual required contributions (ARC) to the plans, a total of $1.1 million or 9.1% 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 $18.4 million, or 1.8% of full value. 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 $350,000, or 2.8% of operating revenues, in fiscal 2017. As of June 1, 2016 the most recent actuarial valuation, the village had an unfunded actuarial accrued liability (UAAL) of $18.3 million.

Total fixed costs, comprised of pensions, OPEB and debt service, were a manageable 19.8% of operating expenditures in fiscal 2017.

Management and Governance

Conservative budgeting and careful expense management have contributed to the village's positive operating results. Management adheres to a formal fund balance policy requiring the maintenance of 18% unassigned fund balance as a percentage of annual expenditures.

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 Villages 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 overriden 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.

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