

## CREDIT OPINION

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## Village of Garden City, NY

### Update to credit analysis

#### Summary

The Village of [Garden City](#) (Aaa stable) benefits from a strong economy with high resident income located just 25 miles east of [New York City's](#) (Aa2 stable) central business district.

The village's financial position is healthy with ample reserves and liquidity. The town's credit profile is bolstered by conservative fiscal management and formal policies that help to mitigate elevated leverage and an above-average fixed costs ratio driven in part by a high unfunded OPEB liability.

#### Credit strengths

- » High resident income
- » Healthy reserves and liquidity
- » Conservative fiscal management

#### Credit challenges

- » Elevated leverage as a percent of revenue
- » Above-average fixed costs ratio

#### Rating outlook

The stable outlook reflects the expectation that the village's conservative fiscal management will maintain a healthy financial position and continue to manage a high leveraged position.

#### Factors that could lead to an upgrade

- » Not applicable

#### Factors that could lead to a downgrade

- » Material decline in reserves and liquidity as a percent of revenue
- » Increase in leverage as a percent of revenue
- » Significant weakening of the local economy

## Key indicators

Exhibit 1

### Garden City (Village of) NY

|   | 2019        | 2020        | 2021        | 2022        | Aaa Medians |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Economy</b>                                      |             |             |             |             |             |
| Resident income ratio (%)                           | 242.1%      | 248.9%      | N/A         | N/A         | 173.2%      |
| Full Value (\$000)                                  | \$6,640,814 | \$6,881,042 | \$7,233,555 | \$7,670,751 | \$8,668,233 |
| Population  | 22,499      | 22,384      | N/A         | N/A         | 36,139      |
| Full value per capita (\$)                          | \$295,160   | \$307,409   | N/A         | N/A         | \$225,444   |
| Economic growth metric (%)                          | N/A         | -0.5%       | -0.6%       | N/A         | -0.6%       |
| <b>Financial Performance</b>                        |             |             |             |             |             |
| Revenue (\$000)                                     | \$68,693    | \$68,579    | \$74,429    | \$75,365    | \$101,271   |
| Available fund balance (\$000)                      | \$40,923    | \$76,425    | \$70,616    | \$68,159    | \$60,284    |
| Net unrestricted cash (\$000)                       | \$53,978    | \$93,021    | \$93,778    | \$85,532    | \$85,080    |
| Available fund balance ratio (%)                    | 59.6%       | 111.4%      | 94.9%       | 90.4%       | 62.5%       |
| Liquidity ratio (%)                                 | 78.6%       | 135.6%      | 126.0%      | 113.5%      | 89.9%       |
| <b>Leverage</b>                                     |             |             |             |             |             |
| Debt (\$000)  | \$42,130    | \$81,624    | \$90,246    | \$87,425    | \$71,359    |
| Adjusted net pension liabilities (\$000)            | \$83,363    | \$107,336   | \$75,898    | \$61,944    | \$120,889   |
| Adjusted net OPEB liabilities (\$000)               | \$144,436   | \$177,175   | \$151,744   | \$132,305   | \$14,025    |
| Other long-term liabilities (\$000)                 | \$12,677    | \$12,239    | \$12,377    | \$12,840    | \$3,650     |
| Long-term liabilities ratio (%)                     | 411.4%      | 551.7%      | 443.7%      | 390.8%      | 257.7%      |
| <b>Fixed costs</b>                                  |             |             |             |             |             |
| Implied debt service (\$000)                        | \$1,953     | \$3,072     | \$5,845     | \$6,330     | \$4,843     |
| Pension tread water contribution (\$000)            | \$3,219     | \$3,304     | \$4,942     | \$3,494     | \$3,247     |
| OPEB contributions (\$000)                          | \$3,918     | \$3,577     | \$3,946     | \$4,048     | \$517       |
| Implied cost of other long-term liabilities (\$000) | \$1,288     | \$924       | \$876       | \$868       | \$244       |
| Fixed-costs ratio (%)                               | 15.1%       | 15.9%       | 21.0%       | 19.6%       | 11.3%       |

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#). The Economic Growth metric cited above compares the five-year CAGR of real GDP for New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Garden City (Village of) NY's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

## Profile

Garden City is located within the Town of [Hempstead](#) (Aaa stable) in [Nassau County](#) (A1 positive) approximately 25 miles and 35 minutes by train east of New York City's central business district. The village's population is around 22,500.

## Detailed credit considerations

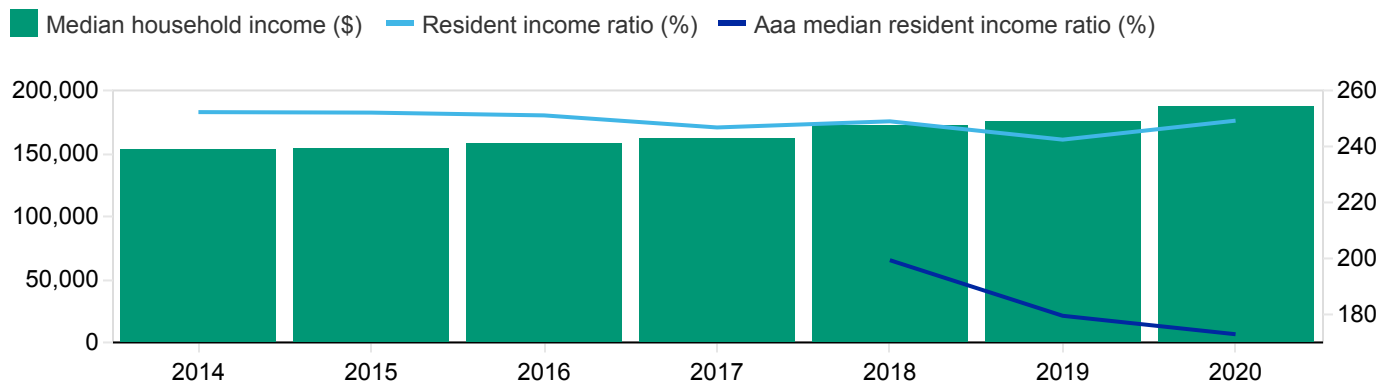
### Economy: primarily residential tax base likely to remain strong with high resident income and wealth

The village's economy is part of the New York City MSA and given the close proximity to the city, helps drive growth in the primarily residential tax base. Tax appeals have been on the decline over the last five years and modest new development along with residential appreciation is expected to keep the local economy relatively stable. The village has focused on improving vacant lots, and will also benefit from a new hotel and a couple residential building projects. Adelphi University is the village's largest employer with around 1,100 employees. The village also benefits from a large presence of county government administrative buildings even though it is not the county seat.

Garden City's resident income is very high with a median household income equal to 249% of the US median adjusted for regional price parity (see exhibit). The high \$341,266 full value per capita also reflects the high wealth for the municipality. The village's unemployment rate of 2.3% (November 2022) continues to trend below the state and US rates, currently at 3.8% and 3.4%, respectively.

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Exhibit 2

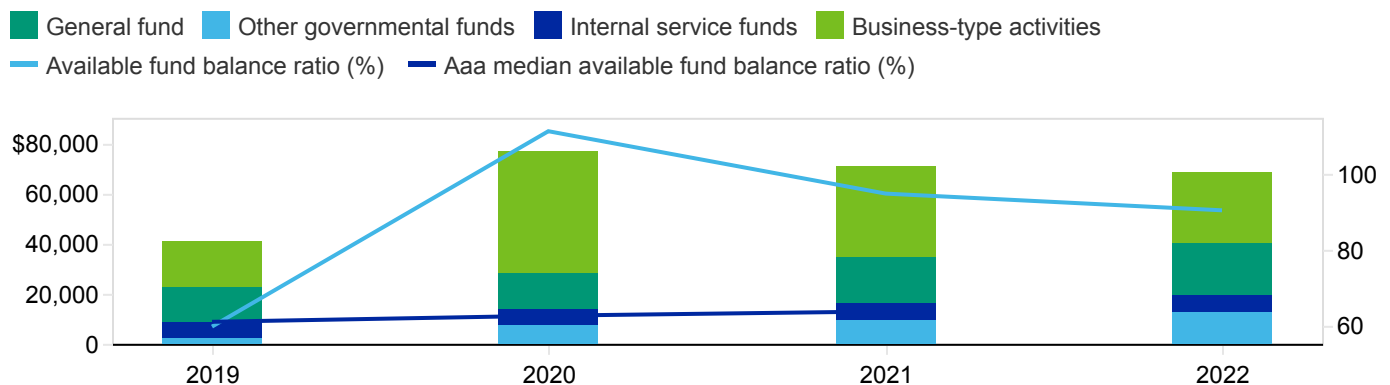
**Resident Income**

Source: Moody's Investors Service

**Financial operations: strong financial position with conservative fiscal management**

The village's financial position is likely to remain stable over the next few years because of conservative budgeting. Across all governmental funds and business-type activities, the village closed fiscal 2022 (the latest audit ending May 31, 2022) with an available fund balance and net unrestricted assets of \$68.2 million, representing a strong 90.4% of revenue (see exhibit). The village's reserves as a percent of revenue are expected to remain relatively stable going forward with some drawdown in the capital projects fund but maintaining a level in line with Aaa rated peers.

Exhibit 3

**Fund Balance**

As of May 31 fiscal year-end

Source: Moody's Investors Service

About 88% of the village's revenue base is comprised of governmental activities with property taxes being the largest revenue driver representing 81% of fiscal 2022 governmental revenue. The village's budget is conservatively managed and includes a contingency amount that helps to insulate operations from any unbudgeted revenue or expense variances. The budget is usually balanced with a mix of tax rate increases and/or use of prior year surpluses to maintain structural balance while being mindful of the tax burden. The village's business-type activities are comprised of pool, tennis and water enterprise funds, with water representing the largest operation. Each enterprise is expected to remain healthy with sufficient rate increases as needed to maintain operations.

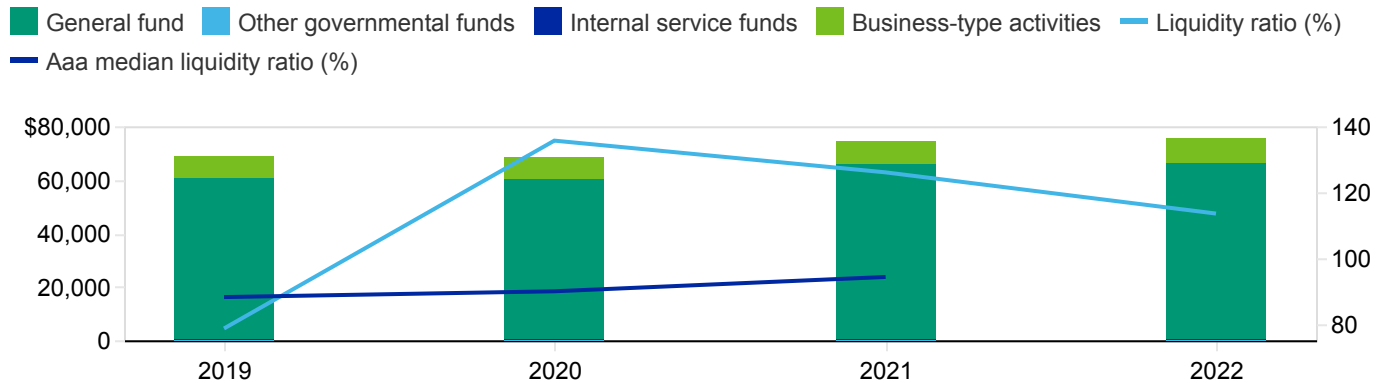
The fiscal 2023 general fund budget increased by only 0.5% or \$337,000 from the prior year budget driven primarily by salaries and employee benefits. The budget is balanced using reserves or surplus monies from the prior year and no material change to the tax levy. Year-to-date operations are trending on budget with positive savings on expenses given savings from open positions.

### Liquidity

Unrestricted cash and investments at the end of fiscal 2022 totaled \$2.1 million representing 113.5% of revenue. The liquidity position is not expected to materially change through fiscal 2023.

Exhibit 4

#### Cash



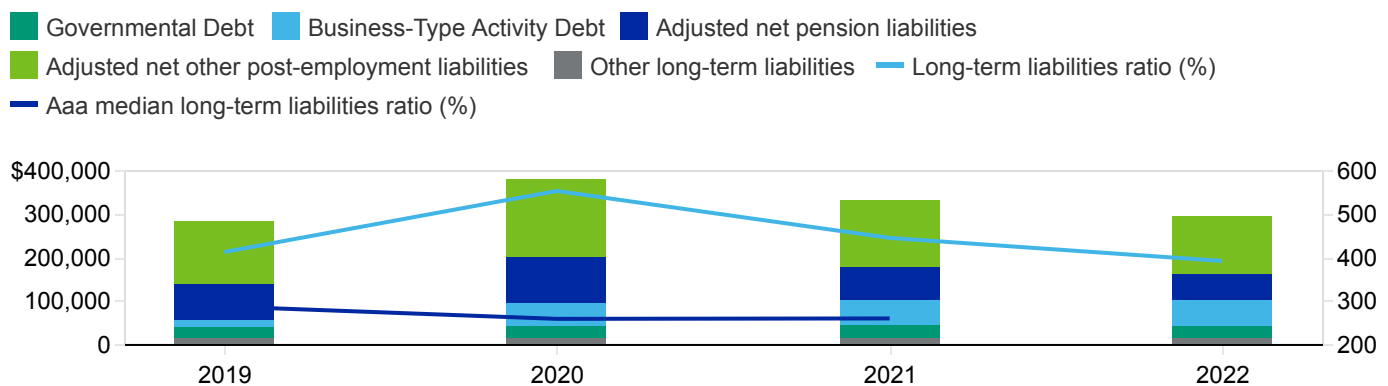
As of May 31 fiscal year-end  
Source: Moody's Investors Service

### Leverage: modest debt burden and elevated unfunded pension and OPEB liabilities

Garden City's leverage is high for the rating category and will likely remain a budget driver over the long-term given large unfunded pension and OPEB liabilities. The village ended fiscal 2022 with a long-term liabilities ratio of 390.8% of revenue (see exhibit). The village's debt accounts for 30% of the total leverage ratio while adjusted net pension liability and adjusted OPEB liability represent 21% and 45%, respectively.

Exhibit 5

#### Total Primary Government - Long Term Liabilities



As of May 31 fiscal year-end  
Source: Moody's Investors Service

The debt burden is expected to remain modest given limited borrowing plans and funding most capital projects with taxes and funds on hand. The fiscal 2023-27 capital plan totals \$29.1 million including \$4.8 million of proposed funding in fiscal 2023 that will be funding through taxes.

### Legal security

The village's bonds and notes are backed by the village's full faith and credit pledge supported by its authority to levy ad valorem property taxes subject to the limitations of New York State's legislated cap on property taxes (Chapter 97 (Part A) of the Laws of the State of New York, 2011).

### Debt structure

All of the village's debt outstanding is fixed rate with a final maturity of 2049.

### Debt-related derivatives

Garden City has no debt-related derivatives.

### Pensions and OPEB

Garden City's pension and OPEB liabilities are larger than its debt burden and though manageable at this time, represent a potential future credit challenge. The village participates in two multi-employer cost-sharing pension plans administered by the state. Based on the latest actuarial valuation reports of the two plans the weighted reported discount rate equals 6%. The 2022 Moody's adjusted net pension liability uses an adjusted discount rate of 4%. The village also contributes towards the net OPEB liability on a pay-go basis.

The village's fixed costs ratio is elevated at 19.7% of revenue and is expected to remain around this level over the next few years. Favorably, the village's annual pension contributions have been higher than the Moody's tread water indicator, which is the amount required to keep the unfunded liability from increasing if all actuarial assumptions are realized.

## ESG considerations

### Garden City (Village of) NY's ESG Credit Impact Score is Positive CIS-1

Exhibit 6

#### ESG Credit Impact Score

**CIS-1**  
Positive



For an issuer scored CIS-1 (Positive), its ESG attributes are overall considered as having a positive impact on the rating. The overall positive influence from its ESG attributes on the rating is material.

Source: Moody's Investors Service

The Village of Garden City's ESG credit impact score is positive (**CIS-1**), reflecting positive exposure to governance, and social risks while environmental risks are moderately negative.

Exhibit 7

#### ESG Issuer Profile Scores

ENVIRONMENTAL

**E-3**

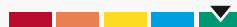
Moderately Negative



SOCIAL

**S-1**

Positive



GOVERNANCE

**G-1**

Positive



Source: Moody's Investors Service

### Environmental

The Village of Garden City's overall environmental issuer profile score is moderately-negative (**E-3**). All issuers in Nassau County have an elevated exposure to storms and water stress. The county maintains an active emergency management team and hazard mitigation plan to aid in navigating these challenges and works closely with all their local governments to help mitigate risks. The state and federal government have a long history of supporting local governments following extreme weather events. Exposure to other environmental risks such as carbon transition, natural capital, and pollution risks are low.

### Social

The Village of Garden City's social issuer profile score is positive (**S-1**). Strong employment, low poverty, high resident income, high educational attainment, and low violent crime are positives. All municipalities in Nassau County have good access to basic services while risks associated with housing are neutral-to-low.

### Governance

The Village of Garden City's governance issuer profile score is positive (**G-1**). Government operations are managed by certified and experienced professionals who are responsible for implementing policy objectives. This, plus a combination of a strong state-wide institutional framework and conservative budgeting, has allowed for stable and strong financial operations. Finally, management is generally prompt in publishing its budgets and audited financial statements. Monthly or quarterly interim statements are not available publicly.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8

### Garden City (Village of) NY

|  | Measure | Weight | Score      |
|--|---------|--------|------------|
| <b>Economy</b>                               |         |        |            |
| Resident income ratio                        | 248.9%  | 10.0%  | Aaa        |
| Full value per capita                        | 341,266 | 10.0%  | Aaa        |
| Economic growth metric                       | -0.6%   | 10.0%  | Aa         |
| <b>Financial Performance</b>                 |         |        |            |
| Available fund balance ratio                 | 90.4%   | 20.0%  | Aaa        |
| Liquidity ratio                              | 113.5%  | 10.0%  | Aaa        |
| <b>Institutional Framework</b>               |         |        |            |
| Institutional Framework                      | Aa      | 10.0%  | Aa         |
| <b>Leverage</b>                              |         |        |            |
| Long-term liabilities ratio                  | 390.8%  | 20.0%  | Baa        |
| Fixed-costs ratio                            | 19.6%   | 10.0%  | A          |
| <b>Notching factors</b>                      |         |        |            |
| Additional Strength in Local Resources       | 0.5     |        |            |
| Potential for significant change in leverage | -0.5    |        |            |
| Scorecard-Indicated Outcome                  |         |        | Aa2        |
| <b>Assigned Rating</b>                       |         |        | <b>Aaa</b> |

Sources: US Census Bureau, Garden City (Village of) NY's financial statements and Moody's Investors Service

## Appendix

Exhibit 9

### Key Indicators Glossary

|   | Definition  | Typical Source*  |
|---|---|--|
| <b>Economy</b>                          |   |  |
| Resident income ratio                   | Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI  | MHI: US Census Bureau<br>RPP: US Bureau of Economic Analysis                 |
| Full value                              | Estimated market value of taxable property in the city or county  | State repositories; audited financial statements; continuing disclosures     |
| Population                              | Population of the city or county  | US Census Bureau   |
| Full value per capita                   | Full value / population   |  |
| Economic growth metric                  | Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US  | Real GDP: US Bureau of Economic Analysis                                     |
| <b>Financial performance</b>            |   |  |
| Revenue                                 | Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions | Audited financial statements   |
| Available fund balance                  | Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds        | Audited financial statements   |
| Net unrestricted cash                   | Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt  | Audited financial statements   |
| Available fund balance ratio            | Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue   |  |
| Liquidity ratio                         | Net unrestricted cash / Revenue   |  |
| <b>Leverage</b>                         |   |  |
| Debt                                    | Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements                                  | Audited financial statements; official statements                            |
| Adjusted net pension liabilities (ANPL) | Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits   | Audited financial statements; Moody's Investors Service                      |
| Adjusted net OPEB liabilities (ANOL)    | Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits  | Audited financial statements; Moody's Investors Service                      |
| Other long-term liabilities (OLTL)      | Miscellaneous long-term liabilities reported under the governmental and business-type activities entries  | Audited financial statements   |
| Long-term liabilities ratio             | Debt + ANPL + ANOL + OLTL / Revenue   |  |
| <b>Fixed costs</b>                      |   |  |
| Implied debt service                    | Annual cost to amortize city or county's long-term debt over 20 years with level payments   | Audited financial statements; official statements; Moody's Investors Service |
| Pension tread water contribution        | Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met  | Audited financial statements; Moody's Investors Service                      |
| OPEB contribution                       | City or county's actual contribution in a given period  | Audited financial statements   |
| Implied cost of OLTL                    | Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments  | Audited financial statements; Moody's Investors Service                      |
| Fixed-costs ratio                       | Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue  |  |

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service



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