

CREDIT OPINION

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Garden City (Village of) NY

Update to credit analysis

Summary

The Village of Garden City (Aaa stable) benefits from a wealthy tax base located in Nassau County 25 miles east of New York City's (Aa1 stable) central business district. The village also benefits from strong fiscal management, ample reserves and liquidity, and a manageable debt burden though its pension and OPEB liabilities are elevated. Strong financial management continues to contribute to annual surplus operations.

Credit strengths

- » Large tax base with strong wealth and income profile
- » Structurally balanced operations and strong reserves
- » Long term financial planning

Credit challenges

- » History of significant tax appeals, though declining in recent years
- » Elevated total leverage profile

Rating outlook

The stable outlook reflects the expectation that the village's conservative budgeting and strong financial management will support ongoing stability of its financial operations and reserves.

Factors that could lead to a downgrade

- » Significant growth in tax appeals resulting in draw on reserves
- » Enterprise funds requiring significant support from the general fund
- » Material declines in the tax base or wealth and income profile

Key indicators

Exhibit 1

Garden City (Village of) NY	2016	2017	2018	2019	2020
Economy/Tax Base					
Total Full Value (\$000)	\$5,942,782	\$6,276,609	\$6,457,224	\$6,640,814	\$6,881,042
Population	22,531	22,699	22,533	22,499	22,499
Full Value Per Capita	\$263,760	\$276,515	\$286,567	\$295,160	\$305,838
Median Family Income (% of US Median)	267.8%	258.2%	260.7%	252.4%	252.4%
Finances					
Operating Revenue (\$000)	\$58,309	\$58,177	\$59,438	\$60,358	\$60,262
Fund Balance (\$000)	\$14,491	\$16,395	\$16,612	\$14,323	\$14,497
Cash Balance (\$000)	\$16,217	\$18,322	\$20,044	\$17,450	\$17,168
Fund Balance as a % of Revenues	24.9%	28.2%	27.9%	23.7%	24.1%
Cash Balance as a % of Revenues	27.8%	31.5%	33.7%	28.9%	28.5%
Debt/Pensions					
Net Direct Debt (\$000)	\$22,891	\$21,847	\$19,751	\$42,130	\$43,650
Source: Audited financial statements, U.S. Census Bureau, Moody's Investors Service					
3-Year Average of Moody's ANPL (\$000)	\$87,449	\$84,886	\$75,237	\$74,804	\$87,044
Net Direct Debt / Full Value (%)	0.4%	0.3%	0.3%	0.6%	0.6%
Net Direct Debt / Operating Revenues (x)	0.4x	0.4x	0.3x	0.7x	0.7x
Moody's - adjusted Net Pension Liability (3-Yr average) to Full Value (%)	1.5%	1.4%	1.2%	1.1%	1.3%
Moody's - adjusted Net Pension Liability (3-Yr average) to Revenues (x)	1.2x	1.1x	1.0x	1.1x	1.4x

Profile

Garden City is located within the Town of Hempstead (Aa1 stable) in Nassau County (A2 stable) approximately 25 miles and 35 minutes by train west of New York City's central business district. The village is home to approximately 22,500 people. 1.2x

Detailed credit considerations

Economy and Tax Base: Large tax base with strong demographic profile

The village's primarily residential \$6.9 billion tax base will remain stable given a reduction in tax appeals in the several past years. After declining from 2010 to 2015, full value has increased in each of the past four years. The five year compound annual growth rate continues to grow and most recently measured 3.7%. The village benefits from its proximity to New York City with the city's central business district 25 miles and 36 minutes away by train.

Adelphi University is the village's largest employer with 1,100 employees. Although the county seat is Mineola (Aa2), most of the county's administrative buildings are located in Garden City.

Resident wealth and incomes are very high with median family income equal to 252% of the national median, while median home values represent almost 400% of the national median. Additionally, the village's full value per capita of \$305,838 reflects the presence of a number of high value residential properties and a moderate commercial sector, primarily office buildings located near the Roosevelt Field Mall, and both commercial buildings and restaurants along Franklin Avenue and Seventh Street.

Financial Operations and Reserves: Strong reserves bolstered by structurally balanced operations

We expect the village's financial position to remain stable. The village ended fiscal 2020 with essentially breakeven operations, which included \$11.5 million of net transfers out of the general fund to fund the capital projects fund and the library fund. Management notes revenues were slightly under budget as a result of two projects (totaling \$3.4 million) being paid for by the village but not reimbursed by the Metropolitan Transportation Authority (Baa3 negative) and the Commercial District in Garden City by the end of the fiscal year. The village maintained available fund balance of \$14.5 million or 24% of revenues, which has remained stable over the past five years. Importantly, expenditures for tax appeal settlements, which have historically weakened the village's financial position have been falling in recent years and management expects the trend of lower appeals to continue in the near term.

Fiscal 2021 year to date results are trending above initial expectations due to some one time permitting revenues that were not anticipated at the beginning of the year. Management is working with the Town of Hempstead and FEMA to receive reimbursements for \$400,000 of COVID-19 related expenses incurred throughout the year, but the exact timing of those reimbursements is unknown.

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 for the most updated credit rating action information and rating history.

The fiscal 2021 budget decreased slightly from the prior year, while the tax levy increased 1.8% and management appropriated \$1 million of fund balance. The fiscal 2022 budget process is underway. There are no major changes anticipated at this time.

Liquidity

Cash and investments at the end of fiscal 2020 represented \$17.2 million or 29% of revenues.

Debt and Pensions: Modest debt burden and elevated pension and OPEB liabilities

The village's net direct debt burden, at 0.6% of full value post issuance, is below the state median of 0.8%. Management remains cognizant of the crowding out effects debt service can have on their budgeting needs.

Legal security

The bonds are secured by the village's pledge of its faith and credit 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

The entire debt portfolio is fixed rate with 70% of principal retired in ten years. Fiscal 2020 debt service represented \$3.4 million or 6% of revenues.

Debt-related derivatives

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

Pensions and OPEB

The village's unfunded pension and OPEB liabilities are significantly larger than its debt and represent a potential future credit challenge. The village participates in two multiple employer cost-sharing pension plans and funds OPEB on a pay-go basis. The table below summarizes the village's 2020 pension and OPEB contributions and unfunded liabilities.

Exhibit 2

2020	\$\$\$ (000)	% of Operating Revenues	Discount Rate
Operating Revenue	60,262	n/a	n/a
Reported Unfunded Pension Liability	23,748	39%	6.80%
Moody's Adjusted Net Pension Liability	107,337	178%	3.12%
Reported Net OPEB Liability	187,967	312%	2.50%
Moody's Adjusted Net OPEB Liability	177,175	294%	2.78%
Net Direct Debt	43,650	72%	n/a
Debt & unfunded retirement benefits (Moody's adjusted)	328,162	545%	
Pension Contribution	4,352	7.22%	n/a
OPEB Contribution	3,577	5.94%	n/a
Debt Service	3,416	5.67%	n/a
Total Fixed Costs	11,345	18.83%	n/a
Tread Water Gap	(1,048)	-1.74%	n/a
Moody's Adjusted Fixed Costs	10,297	17.09%	n/a

Source: Moody's Investors Service and issuer's audited financial statements

Favorably, the village's 2020 pension contributions exceeded tread water, the amount required to prevent the unfunded liability from increasing if all plan assumptions are realized. To the extent that the multiple-employer pension plans in which the village participates experience returns on assets that fall short of their assumptions, the village's required pension contribution will increase. Because it

is not pre-funding OPEB benefits as they accrue, which is not permitted under New York State law though changing that is under discussion in the legislature, the village's OPEB costs will likely escalate as the number of retirees it covers grows and retirees age.

Fiscal 2020 fixed costs, comprised of pensions, OPEB and debt service, represented a manageable 19% of operating revenues. However, return on assets in the state run pension plans and future escalation of OPEB costs could materially affect fixed costs going forward.

ESG considerations

Environmental

There are no major environmental considerations.

Social

Outside of the COVID-19 information discussed above, there are no major social considerations.

Governance

Management budgets conservatively and maintains long term financial forecasts.

New York villages have an institutional framework score¹ of "Aa", which is strong. 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 overridden at the local level, without voter approval and many local governments have done so when necessary. Unpredictable revenue fluctuations tend to be low, reflected in expense growth being under 5% on average across the whole sector. Fixed and mandated costs are generally below 25% of expenditures. New York State has the additional constraint of the Triborough Amendment, which limits the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be low, however, reflective in expense growth being under 5% on average across the whole sector.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 3

Garden City (Village of) NY

Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$6,881,042	Aa
Full Value Per Capita	\$305,838	Aaa
Median Family Income (% of US Median)	252.4%	Aaa
Notching Factors: ^[2]		
Other Scorecard Adjustment Related to Economy/Tax Base: High wealth levels		Up
Finances (30%)		
Fund Balance as a % of Revenues	24.1%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	1.2%	A
Cash Balance as a % of Revenues	28.5%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	2.8%	A
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.7%	Aaa
Net Direct Debt / Operating Revenues (x)	0.8x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.3%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.4x	A
Scorecard-Indicated Outcome		Aa1
Assigned Rating		Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Sources: Moody's Investors Service, US Census, issuer's audited financial statements

Endnotes

- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.

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