

CREDIT OPINION

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 Rate this Research

Contacts

Katie Townsend +1.212.553.3761
Associate Lead Analyst
katie.townsend@moody's.com

Robert Weber +1.212.553.7280
VP-Senior Analyst
robert.weber@moody's.com

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Americas 1-212-553-1653

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EMEA 44-20-7772-5454

Hastings-on-Hudson (Village of) NY

Update to credit analysis

Summary

The [Village of Hastings-on-Hudson](#) (Aa2), New York's credit profile is supported by a moderately-sized tax base located in the Hudson Valley within commuting distance of New York City. The village's reserve position will improve significantly following a sizeable surplus in 2021. While the village's debt burden is low, long term liabilities and fixed costs are slightly elevated. Resident incomes and wealth are very strong.

On September 9, 2021 Moody's upgraded the Village of Hastings-on-Hudson's issuer and general obligation limited tax ratings to Aa2 from Aa3.

Credit strengths

- » Large operating surplus projected for 2021
- » Growing tax base
- » Strong resident incomes and wealth
- » Low debt burden

Credit challenges

- » Slightly elevated long term liabilities and fixed costs

Rating outlook

Moody's does not typically assign outlooks to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Continued tax base growth
- » Material improvement in reserves and liquidity
- » Lower leverage

This report was republished on September 10, 2021 with additional information regarding environmental considerations.

Factors that could lead to a downgrade

- » Deterioration of reserves and liquidity
- » Material increase in leverage

Key indicators

Exhibit 1

Hastings-on-Hudson (Village of) NY	2016	2017	2018	2019	2020
Economy/Tax Base					
Total Full Value (\$000)	\$1,356,996	\$1,499,927	\$1,713,249	\$1,808,254	\$1,881,468
Population	7,959	7,993	7,964	7,921	-
Full Value Per Capita	\$170,498	\$187,655	\$215,124	\$228,286	\$237,529
Median Family Income (% of US Median)	209.0%	225.5%	266.3%	257.8%	-
Finances					
Operating Revenue (\$000)	\$14,679	\$14,878	\$15,412	\$15,965	\$16,604
Fund Balance (\$000)	\$1,935	\$2,007	\$1,947	\$1,855	\$2,255
Cash Balance (\$000)	\$1,844	\$2,074	\$2,066	\$1,532	\$1,846
Fund Balance as a % of Revenues	13.2%	13.5%	12.6%	11.6%	13.6%
Cash Balance as a % of Revenues	12.6%	13.9%	13.4%	9.6%	11.1%
Debt/Pensions					
Net Direct Debt (\$000)	\$11,245	\$10,370	\$11,623	\$10,445	\$9,779
3-Year Average of Moody's ANPL (\$000)	\$18,990	\$20,790	\$20,866	\$20,844	\$24,446
Net Direct Debt / Full Value (%)	0.8%	0.7%	0.7%	0.6%	0.5%
Net Direct Debt / Operating Revenues (x)	0.8x	0.7x	0.8x	0.7x	0.6x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.4%	1.4%	1.2%	1.2%	1.3%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.3x	1.4x	1.4x	1.3x	1.5x

[1] 2022 full value \$1.93 billion; FVPC \$243,420

Source: Moody's Investors Service, Hastings-on-Hudson's audited financial statements, US Census Bureau

Profile

The village of Hastings-on-Hudson is located approximately 15 miles north of [New York City](#) (Aa2 stable), within the [Town of Greenburgh](#) (Aaa stable). Village population is 7,921 as of 2019.

Detailed credit considerations

Economy and tax base: Moderately-sized, wealthy Hudson Valley tax base

Hastings-on-Hudson's \$1.93 billion tax base is expected to remain stable with incremental growth in the near term driven by valuation improvement. The village is located along the Hudson River and accessible to New York City via Metro North commuter rail. The village's tax base is supported by a walkable downtown commercial area and very high value residential property. Environmental remediation of land along the riverfront is ongoing, which is being financed by the property owner BP ARCO and overseen by the NYS Department of Environmental Conservation. Although the parcels are currently privately-owned and zoned for industrial use in the long term the land may be developed for retail/commercial and residential mixed use. There is also land available for residential development within the village that may also improve tax base value in the long term.

Resident incomes and wealth within Hastings-on-Hudson are very strong. Median family income and per capita income equal 232.2% and 257.8% of national medians respectively. Median home value as of 2019 was \$664,700, equal to 211.9% and 305.6% of state and

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national medians. Strong resident incomes and wealth and high value residential property are strong drivers of the village's operations with 68.5% of 2020 revenues coming from property tax.

Financial operations and reserves: Anticipated surplus reinforces healthy financial position

The village's financial position is expected to improve significantly following a sizeable surplus in 2021. At the close of fiscal 2020 the village held \$2.3 million in available fund balance, equal to 13.6% of revenues. Management estimates an operating surplus in excess of \$1.4 million at the close of fiscal 2021 which will significantly improve the village's reserve position as management anticipates holding the surplus as assigned fund balance. The surplus is driven by very conservative sales tax revenue estimates in consideration of the pandemic and substantially lower than budgeted expenses including savings from police department retirements and budgeted healthcare cost increases that did not materialize. The village has created assigned fund balances for capital, parking and parks needs with the surplus funds.

The fiscal 2022 \$16.5 million budget is a less than 1% increase over 2021 and includes some pandemic-driven contingencies modeled after 2021 actuals, such as lower anticipated parking permits and meter revenue, court fees and parks and recreation revenue. The village will also receive about \$805,000 in federal COVID relief. The village's trend of conservative budgetary practices, reserve growth and high proportion of revenues derived from property taxes support the maintenance of a healthy financial position.

Liquidity

At the close of fiscal 2020 the village held \$1.8 million in cash and investments equal to 11.1% of revenues.

Debt and pensions: Manageable long term liabilities and fixed costs

Hastings-on-Hudson's debt burden at 0.7% of full value is anticipated to remain low. Within the next few years the village may pursue bonds for Department of Public Works equipment and/or improvements to windows and roofing at the village hall. The village does not have any substantial issuance plans that would materially increase its debt leverage.

Legal security

The village's bonds are backed by the village's general obligation pledge as limited by the 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 is fixed rate. Amortization of debt inclusive of the new issuance is above average with 79.5% of principal retired within ten years.

Debt-related derivatives

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

Pensions and OPEB

Hastings-on-Hudson's long term liabilities, consisting of unfunded pension and OPEB liabilities and issued debt, are slightly elevated and may represent a long term credit challenge.

Exhibit 2

	2020	\$\$\$ (000)	% of Operating Revenues	Discount Rate
Operating Revenue		16,604		
Reported Unfunded Pension Liability		6,420	38.7%	6.66%
Moody's Adjusted Net Pension Liability		28,912	174.1%	3.15%
Reported Net OPEB Liability		34,729	209.2%	2.63%
Moody's Adjusted Net OPEB Liability		33,958	204.5%	2.78%
Net Direct Debt		12,661	76.3%	
Debt & unfunded retirement benefits (Moody's adjusted)		75,532	454.9%	
Pension Contribution		1,077	6.5%	
OPEB Contribution		821	4.9%	
Debt Service		1,446	8.7%	
Total Fixed Costs		3,344	20.1%	

[1] Net direct debt inclusive of current issuance

Source: Moody's Investors Service, Hastings-on-Hudson's audited financial statements

The village participates in two multiple employer cost-sharing pension plans. While the plans are relatively well funded, aggressive discount rates pose future credit risks. Positively, the village made 100% of its 2020 required contribution to the plans, a total of \$1.1 million representing 6.5% of operating revenues. Pension contributions will increase if the return on pension assets is below the currently assumed rate of 5.9%. Declines in equity values over the last several months have made achievement of the assumed return unlikely in the current year.

Unlike pensions, the village's retiree healthcare (OPEB) liability is unfunded since NYS law does not allow for an OPEB trust. Due in part to this restriction the village's adjusted net OPEB liability of \$33.6 million is equal to a slightly elevated 204.5% of operating revenues. The village must fund OPEB on a pay-go basis and contributions totaled \$821,000 (4.9% of operating revenues) in fiscal 2020.

Fiscal 2020 fixed costs, comprised of pensions, OPEB and debt service, totaled \$3.3 million and represented a manageable 20.1% of operating revenues. Future increases in pension and OPEB contributions could result in higher fixed costs.

ESG considerations

Environmental

Physical environmental risks associated with climate change represent a limited credit risk for the village over the next several years that may become more significant over time. Of the physical climate risks Moody's affiliate Four Twenty Seven evaluates, the village has medium to high exposure of sea level rise, hurricanes and heat stress. The village was in the path of the remnants of Hurricane Ida resulting in minor flooding of residential basements and debris and mud flow around the village's Department of Public Works and the village pool and tennis courts. There were also minimal power outages and downed trees throughout the village and some road beds that will need to be reinforced. Overall the damages were minimal and are not expected to materially impact tax base value or the village's financial position.

The village is a silver level Climate Smart Community per New York State. The designation denotes the village's commitment to sustainability and the pursuit of climate adaptation measures. Currently only seven New York municipalities have been accredited at the silver level. The Village is also the highest-ranking Clean Energy Community in the State.

Social

Social considerations are not material risks for the village. The resident population of Hastings-on-Hudson has been very stable over the past decade. The village's poverty rate of 2.5% is favorably well below the national rate of 14.1%.

Governance

Hastings-on-Hudson exhibits strong managerial practices as evidenced by its conservative budgetary practices resulting in several years of operating surpluses and an anticipated surplus in 2021.

New York cities have an institutional framework score of "Aa", which is strong. New York Cities 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 adjustments 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

Hastings-on-Hudson (Village of) NY

Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%)^[1]		
Tax Base Size: Full Value (in 000s)	\$1,928,129	Aa
Full Value Per Capita	\$243,420	Aaa
Median Family Income (% of US Median)	257.8%	Aaa
Finances (30%)		
Fund Balance as a % of Revenues	22.0%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	10.4%	Aa
Cash Balance as a % of Revenues	19.5%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	8.4%	A
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	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)	1.5x	A
	Scorecard-Indicated Outcome	Aa2
	Assigned Rating	Aa2

[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

Source: Moody's Investors Service, Hastings-on-Hudson's audited financial statements, US Census Bureau

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