

RatingsDirect®

Summary:

Clarkstown, New York; General Obligation

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Summary:

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Credit Profile

US\$11.070 mil various purp rfdg ser bnds ser 2016 due 12/15/2028

<i>Long Term Rating</i>	AA+/Stable	New
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Clarkstown Twn GO

<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
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Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to the town of Clarkstown, N.Y.'s series 2016 general obligation (GO) refunding bonds and affirmed its 'AA+' long-term rating on the town's outstanding GO debt. The outlook is stable.

The town's faith and credit GO pledge secures its bonds, including the statutory authorization to levy ad valorem taxes on all real property in the town, subject to the provisions of the 2011 tax levy limitation law, which imposes additional procedural requirements on the ability of municipalities to increase the real property tax levy each year. The series 2016 bonds will refund a portion of the town's series 2007 and 2008 GO improvement bonds. There is no extension of maturity and refunding is being undertaken for interest rate savings.

The rating reflects our view of the town's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under our financial management assessment (FMA) methodology;
- Adequate budgetary performance, with an operating deficit in the general fund and a slight operating deficit at the total governmental fund level in fiscal 2014;
- Strong budgetary flexibility, with an available fund balance in fiscal 2014 at 8.5% of operating expenditures;
- Very strong liquidity, with total government available cash at 16.2% of total governmental fund expenditures and 110.7% of governmental debt service, as well as access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 14.6% of expenditures, net direct debt at 83.2% of total governmental fund revenue, and low overall net debt at less than 3% of market value and rapid amortization, with 78.6% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Clarkstown's economy very strong. The town, with an estimated population of 85,446, is in Rockland County in the New York-Newark-Jersey City MSA, which we consider to be broad and diverse. It has a projected per capita effective buying income of 149% of the national level and per capita market value of \$145,576. Overall, the town's market value grew by 3.2% over the past year to \$12.4 billion in 2016. The county unemployment rate was 5.1% in 2014.

Clarkstown is roughly 30 miles north of Midtown Manhattan. This is a favorable location, in our view, affording residents convenient and easy access to employment opportunities within the broad and diverse New York City MSA. We consider this a positive credit factor and a primary reason for the county's relatively low unemployment.

Strong management

We view the town's management as strong, with "good" financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Factors included in our assessment include the town's budgeting practices of using at least three years of historical trend analysis with some forward projections, but in recent years, budgets have been imbalanced, relying heavily on reserve use. Budgetary performance is monitored throughout the year with the board receiving monthly budget-to-actual reports and may be amended as needed throughout the year. The town maintains five-year financial projections of major revenues and expenditures for its general and major governmental funds. It also maintains a five-year capital plan identifying projects and outward costs, but limited funding sources in out years. The town maintains a formal investment policy consistent with state guidelines, reviewing earnings monthly and holdings quarterly. It has an adopted debt management policy consistent with state guidelines on debt to assessed value, amortization, and capital financing. The town's fund balance policy calls for maintaining reserves at 20%, but it is currently non-compliant.

We understand the town supervisor and new management team is currently assessing its long-range planning and current policies which may lead to revisions of this assessment in the future.

Adequate budgetary performance

Clarkstown's budgetary performance is adequate, in our opinion. The town had deficit operating results in the general fund of 2.3% of expenditures, and slight deficit results across all governmental funds of 0.9% in fiscal 2014.

In 2014, general fund expenditures were in excess of revenues by \$10.9 million. However, when including other financing sources and uses, the shortfall is reduced to \$2.4 million. The town experienced shortfalls from 2012 to 2014 that totaled \$8.3 million for all three years. As mentioned above, it has taken many steps to try to restore balanced operations, including but are not limited to: obtaining state tax levy cap overrides, eliminating chargebacks associated with Rockland Community College, and cost savings through workforce consolidation. Despite these actions, various unforeseen financial stresses have resulted in persistent operating and total governmental fund losses. These include unanticipated shortfalls in certain revenue streams, such as mortgage tax revenues and unbudgeted expenditures.

For fiscal 2015, results are likely to remain adequate as management expects about break-even results based on preliminary estimates. This does not include \$1.75 million in one-time revenues for the year from the sale of four cell tower leases.

The fiscal 2016 budget was adopted without the use of reserves and no tax increase. We note the town has a newly elected supervisor and its financial management team has made reducing expenditures a priority, by freezing vacant positions, reducing the workforce, and streamlining operations, among other actions.

Strong budgetary flexibility

Clarkstown's budgetary flexibility is strong, in our view, with an available fund balance in fiscal 2014 at 8.5% of operating expenditures, or \$8.8 million.

The town has previously raised taxes above the levy cap in an attempt to better align revenues and expenditures. However, the additional tax revenue was not sufficient to fully close the gap, leading to sharp declines in total and available fund balance. Total fund balance was \$20.8 million (or 22.9% of operating expenditures) at the end of fiscal 2011, before dropping 40% to \$12.5 million (11.6%) in fiscal 2014. Available fund balance, at \$18.7 million (or 20.6% of operating expenditures) at the end of fiscal 2011, has since dropped more than 50% to \$8.75 million (8.1%) in fiscal 2014.

Very strong liquidity

In our opinion, Clarkstown's liquidity is very strong, with total government available cash at 16.2% of total governmental fund expenditures and 110.7% of governmental debt service in 2014. In our view, the town has strong access to external liquidity if necessary.

We believe Clarkstown's strong access to external liquidity is supported by its regular debt issuances, including GO bonds. Although the state allows for what we view as permissive investments, we believe the town does not have aggressive ones, with the majority in mutual funds and fixed-income securities. We expect liquidity to remain very strong.

Strong debt and contingent liability profile

In our view, Clarkstown's debt and contingent liability profile is strong. Total governmental fund debt service is 14.6% of total governmental fund expenditures, and net direct debt is 83.2% of total governmental fund revenue. Overall net debt is low at 2.9% of market value, and approximately 78.6% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

Management is currently in the process of re-developing its capital improvement plan and is unlikely to issue additional debt beyond what is being amortized annually.

Clarkstown's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 11.1% of total governmental fund expenditures in 2014. Of that amount, 8.2% represented required contributions to pension obligations, and 3.0% represented OPEB payments. The town made its full annual required pension contribution in 2014.

The town participates in the NY State and Local Employees' Retirement System (ERS) and Police and Fire System (PFRS). As of March 31, 2015, the plan fiduciary net position to total pension liabilities were 97.9% and 99.0%, respectively. The town contributes 100% of its employer contribution to the state and has elected to amortize certain portions of its contributions in accordance with state statutes. It also provides OPEBs to eligible employees funded on a pay-as-you-go basis. The liability is \$199 million, which is unfunded.

Strong institutional framework

The institutional framework score for New York towns is strong.

Outlook

The stable reflects our view of the town's very strong economy and strong flexibility following years of reserve use. In our opinion, future reserve use should be limited and likely to increase as one-time revenues flow to fund balance. We do not expect to change our rating within the two-year outlook period.

Upside scenario

Should the town sustain reserves at very strong levels consistent with higher rated peers, along with strong performance, we may raise our rating.

Downside scenario

Should the town further draw on its reserves to adequate levels, see its performance deteriorate, and significantly increase its debt burden, we may lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- U.S. State And Local Government Credit Conditions Forecast, Jan. 11, 2016
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Institutional Framework Overview: New York Local Governments

Ratings Detail (As Of March 18, 2016)

Clarkstown Twn GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Clarkstown Twn GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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