

RatingsDirect®

Summary:

Clarkstown Town, New York; General Obligation

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Summary:

Clarkstown Town, New York; General Obligation

Credit Profile

US\$8.045 mil various purp serial bnds ser 2016 due 09/15/2031

<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

S&P Global Ratings has assigned its 'AA+' rating to Clarkstown Town, N.Y.'s series 2016 various purpose bonds. At the same time, we affirmed our 'AA+' rating on the town's outstanding general obligation (GO) debt. The outlook is stable for all ratings.

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.

We understand bond proceeds will be used to pay for various municipal purposes, including improvement of a public pool and road resurfacing.

The ratings reflect 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 methodology;
- Strong budgetary performance, with balanced operating results in the general fund and at the total governmental fund level;
- Strong budgetary flexibility, with an available fund balance in fiscal 2015 of 9.7% of operating expenditures;
- Very strong liquidity, with total government available cash at 16.8% of total governmental fund expenditures and 1.5x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 11.1% of expenditures and net direct debt that is 85.1% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 77.9% 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 86,037, is located in Rockland County in the New York-Newark-Jersey City MSA, which we consider to be broad and diverse. The town has a projected per capita effective buying income of 148% of the national level and per capita market value of \$144,576. 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 4.6% in 2015.

Clarkstown is roughly 25 miles north of the Manhattan central business district and is located within the New York City MSA, which we consider broad and diverse. The town borders the Hudson River and maintains access to the Tappan Zee Bridge, the Palisades Interstate Parkway, New Jersey Transit (Nanuet Station), and the Port Authority Bus Terminal through multiple bus lines. While the town's access to New York City has supported residential zoning, the town also maintains commercial and industrial districts. Town officials note that continued development efforts are underway, with the identification of 100 acres of land for the siting of a corporate park and a rezoning around the Nanuet NJ Transit Station for commercial and residential development.

The town's largest taxpayer is the Palisades Mall, which won a tax certiorari proceeding in 2013. The town issued a bond anticipation note to pay off its \$5.2 million share of the settlement in the same year. Management reports that the town is not currently facing any additional tax certiorari proceedings which may have a material impact on its finances.

Strong management

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

We note that the town has elected a new town supervisor in 2016, who in turn has hired a new comptroller, but maintains a similar set of management policies and practices as in recent years, which management reports they are in the process of reviewing. Management uses five years of trend data in preparing its budget and formulating its long-term financial plan, which we believe includes reasonable projections of long-term cost growth components.

Budgetary performance is monitored throughout the year and the board receives monthly budget-to-actual reports. The board maintains the ability to amend the budget as needed throughout the year. The long-term financial plan provides five years of projections of major revenues and expenditures for its general and major governmental funds. The town also maintains a recently revised five-year capital plan identifying projects and outward costs while anticipating the use of debt to fund these needs. The town maintains formal debt management and investment policies consistent with state guidelines and provides the board a monthly report on holdings and earnings. The town also has a formal fund balance policy which calls for maintaining total fund balance at two months of operating expenditures; while reserves increased in the latest fiscal year, they currently stand at less than half of the amount necessary to reach this target, and are therefore not yet compliant with the policy.

Strong budgetary performance

Clarkstown's budgetary performance is strong in our opinion. The town had balanced operating results of 0.2% of expenditures in the general fund and 0.5% across all governmental funds in fiscal 2015.

Our analysis adjusts for the one-time sale of a cell tower in fiscal 2015 and recurring transfers in from other town funds for services rendered.

After a period of performance weakness in fiscal 2011 through 2014, the town managed to an operating surplus in fiscal 2015. The town has taken a number of steps to try to restore balanced operations, including freezing vacancies, reducing full-time headcount, and identifying efficiencies in building maintenance. The town also saw improvement in

revenues from mortgage recording taxes, which officials anticipate will continue given recent home sales.

The fiscal 2016 budget was adopted without the use of reserves or a tax increase. Management's efforts to reduce expenditures remain a priority and officials are assessing options to reduce public safety expenses, the town's largest operating cost component at more than 36% of expenses. The town also entered into an agreement with the New York Power Authority to install LED street lamps, which will provide recurring savings of nearly \$500,000. On the revenues side, property taxes have come in as expected, while sales tax revenues at the county level are up 3.8%, according to the state comptroller's office.

The town's largest unions, the Civil Service Employees Association (316 employees) and the Patrolmen's Benevolent Association (162 employees), have contracts which run through 2019 and 2017, respectively. The town's recent efforts to reduce costs and manage areas of future cost growth support our belief that the town's performance will remain strong over the near term.

Strong budgetary flexibility

Clarkstown's budgetary flexibility is strong, in our view, with an available fund balance in fiscal 2015 of 9.7% of operating expenditures, or \$10 million.

The town sold a cellphone tower for \$1.75 million in fiscal 2015, supporting improved flexibility year over year. This increase in available reserves was a reversal of a trend of fund balance use since fiscal 2011, when available fund balance levels were nearly 23% of operating expenditures. After a period of time where the town used fund balance and raised taxes above the levy cap, management has renewed its focus on cutting expenditures, which we believe will allow the town to support a stable fund balance in the near term.

Very strong liquidity

In our opinion, Clarkstown's liquidity is very strong, with total government available cash at 16.8% of total governmental fund expenditures and 1.5x governmental debt service in 2015. 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 the issuance of GO debt as recently as fiscal 2015. Given this strong access, we do not anticipate the town's liquidity score to change over the near term. Although the state allows for what we view as permissive investments, the town maintains most funds in mutual funds and fixed-income securities, which we do not consider aggressive. The town does not maintain any variable-rate or direct purchase debt. Given the town's cash position and access to external liquidity, 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 11.1% of total governmental fund expenditures, and net direct debt is 85.1% of total governmental fund revenue. Overall net debt is low at 2.9% of market value, and approximately 77.9% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

The town plans on new debt issuance commensurate with its long-term capital plan. Management notes that the town is unlikely to issue new-money debt faster than principal being amortized over the near-term.

Clarkstown's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 12% of total governmental fund expenditures in 2015. Of that amount, 9% represented required contributions to pension obligations, and 3% represented OPEB payments. The town made its full annual required pension contribution in 2015.

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 positions to total pension liabilities were 97.9% and 99%, respectively. The town contributes 100% of its employer contribution to the state. While it has done so in the past, the town did not elect to amortize pension contributions in fiscal 2015, which is currently allowed under state statute.

The town also provides OPEBs to eligible employees funded on a pay-as-you-go basis. According to an actuarial valuation report from Jan. 1, 2015, the town's unfunded liability was approximately \$222 million.

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 management. We also believe the town will continue to maintain strong flexibility, which further stabilizes the rating. We do not expect to change our rating within two years.

Upside scenario

If the town were to experience sustained budgetary performance at levels we would consider strong, sustaining very strong flexibility, we would consider raising the rating.

Downside scenario

If the town were to again continue the use of fund balance to make up for weakness in its operations, or were to increase the reliance on debt, weakening the town's debt profile, we could lower the rating.

Related Research

- 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

Ratings Detail (As Of September 7, 2016)

Clarkstown Twn GO

Long Term Rating

AA+/Stable

Affirmed

Clarkstown Twn GO

Unenhanced Rating

AA+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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