

## CREDIT OPINION

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### Contacts

Robert Weber +1.212.553.7280  
 VP-Senior Analyst  
 robert.weber@moodys.com

Nicholas Lehman +1.617.535.7694  
 VP-Senior Analyst  
 nicholas.lehman@moodys.com

### CLIENT SERVICES

Americas 1-212-553-1653  
 Asia Pacific 852-3551-3077  
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 EMEA 44-20-7772-5454

## Ardsey (Village of) NY

### Update to credit analysis

#### Summary

[Ardsey, NY](#) (Issuer and GOLT Aa1) maintains a high level of reserves and liquidity driven by its conservative budget management. The village's credit profile benefits from its moderately sized tax base with very strong resident wealth and income levels. The village's long term liabilities are somewhat elevated and fixed costs are manageable.

#### Credit strengths

- » Strong reserves and liquidity
- » High resident wealth and income
- » Conservative fund balance policy and detailed 10-year capital plan

#### Credit challenges

- » Above average debt and pension burdens

#### Rating outlook

Outlook are not usually assigned to local government credits with this amount of debt outstanding.

#### Factors that could lead to an upgrade

- » Significant decline in leverage
- » Material growth in the tax base

#### Factors that could lead to a downgrade

- » Growth in leverage
- » Reduction in reserves and liquidity
- » Material decline in tax base

## Key indicators

Exhibit 1

### Ardsley (Village of) NY

	2017	2018	2019	2020	2021
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$971,385	\$1,044,209	\$1,074,192	\$1,117,353	\$1,124,336
Population	4,557	4,534	4,512	4,512	4,533
Full Value Per Capita	\$213,163	\$230,306	\$238,075	\$247,640	\$248,034
Median Family Income (% of US Median)	269.0%	261.6%	285.2%	285.2%	307.5%
<b>Finances</b>					
Operating Revenue (\$000)	\$12,549	\$12,911	\$13,488	\$14,317	\$14,206
Fund Balance (\$000)	\$3,032	\$3,500	\$4,357	\$5,762	\$5,976
Cash Balance (\$000)	\$4,367	\$5,331	\$5,806	\$7,060	\$7,980
Fund Balance as a % of Revenues	24.2%	27.1%	32.3%	40.2%	42.1%
Cash Balance as a % of Revenues	34.8%	41.3%	43.0%	49.3%	56.2%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$8,258	\$9,998	\$9,086	\$22,500	\$22,824
3-Year Average of Moody's ANPL (\$000)	\$18,445	\$17,714	\$18,513	\$22,465	\$23,913
Net Direct Debt / Full Value (%)	0.9%	1.0%	0.8%	2.0%	2.0%
Net Direct Debt / Operating Revenues (x)	0.7x	0.8x	0.7x	1.6x	1.6x
Moody's - ANPL (3-yr average) to Full Value (%)	1.9%	1.7%	1.7%	2.0%	2.1%
Moody's - ANPL (3-yr average) to Revenues (x)	1.5x	1.4x	1.4x	1.6x	1.7x

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

## Profile

The village of Ardsley is located approximately 25 miles north of New York City (Aa2 stable) in the Town of Greenburgh (Aaa stable) in southern Westchester County (Aa1 stable) and accessible by the Metro-North commuter rail. The village has a population of approximately 4,533.

## Detailed credit considerations

### Economy and Tax Base: Affluent, largely residential tax base north of New York City

The village's \$1.2 (fiscal 2022) billion tax base will likely continue its modest growth driven by modest ongoing economic development. After several years of tax base decline in early 2010s, the trend has reversed with positive full value growth in each of the last five years, leading to a five-year compound annual rate of 4.1%. The growth in tax base is partially due to a revaluation in fiscal 2018 but also to its ongoing development and redevelopment projects including gas stations, expansions of office space and local business stores. Growth going forward will likely be similar to the past five years and be in line with management's comprehensive plan, which outlines the long term vision for the village, such as improving municipal infrastructure, transportation and implementing land use policies and zoning provisions.

The village's wealth and income levels are well above the national and state medians, with median family income equal to 307.5% of the US median, while median home value is equal to 302.2% of the US medians. Full value per capita is also very strong at \$261,860. This demonstrates the high value of residential properties in the village.

### Finances and liquidity: Strong financial position supported by conservative budgeting

The village's financial position will remain strong in the near term due to conservative budget management, which has resulted in several years of operating surplus. Management has maintained reserves above 40% for the past two years which will likely continue into the near-term. Management projects an additional surplus in 2022 driven by fines and forfeitures and sales tax revenue. The village will also see positive budgetary savings for employees benefits. Year-to-date the village is trending well relative to budget

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despite inflationary pressures. Inflation is having an impact on fuel costs and the purchasing of supplies and materials. However, a price increase in these line items was budgeted for and thus the impact of inflation on operations is limited.

### **Liquidity**

Liquidity remains strong and will like track closely with reserves.

### **Institutional Framework**

New York cities have an institutional framework score <sup>1</sup> 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.

### **Debt and Pensions: Elevated long-term liabilities with manageable fixed costs**

The village's debt burden (3% of 2022 full value inclusive of expected \$10.4 million in debt issued in August 2022) will likely stabilize given the lack of any major capital plans. The village maintains a 10 year capital plan and will likely be funded through a combination of surplus revenue, grants and additional debt.

### **Legal security**

Payment of principal and interest on the village's general obligation bonds is backed by the village's faith and credit supported by the village's authority to levy such ad valorem property taxes as may be necessary to pay the bonds, as limited by New York State's legislative cap on property taxes (97 (Part A) of the Laws of the State of New York, 2011).

### **Debt structure**

The entire debt portfolio is fixed rate with 47% of principal retired in ten years.

### **Debt-related derivatives**

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

### **Pensions and OPEB**

The village's pension and retiree healthcare (OPEB) liabilities, which account for more than half of overall long-term liabilities, will remain elevated for the foreseeable future.

The village participates in the New York State and Local Police and Fire Retirement System (PFRS) and New York State and Local Employees Retirement System (ERS), both of which are multi-employer, defined benefit retirement plan sponsored by the State of New York (Aa1 stable). In addition to the multi-employer plans, the village also participates in Ardsley Village Service Award Program, a single employer pension plan. The table below summarizes the village's fiscal 2021 pension and OPEB contributions and unfunded liabilities.

Exhibit 2

	2021	\$\$\$ (000)	% of Operating Revenues	Discount Rate
Operating Revenue		14,206	n/a	n/a
Reported Unfunded Pension Liability		4,193	30%	5.64%
Moody's Adjusted Net Pension Liability		22,002	155%	3.22%
Reported Net OPEB Liability		36,260	255%	1.59%
Moody's Adjusted Net OPEB Liability		30,124	212%	3.08%
Net Direct Debt		22,824	161%	n/a
Debt & unfunded retirement benefits (Moody's adjusted)		74,950	527.59%	
Pension Contribution		1,270	8.94%	n/a
OPEB Contribution		662	4.66%	n/a
Debt Service		1,749	12.31%	n/a
Total Fixed Costs		3,682	25.92%	n/a
Tread Water Gap		120	0.85%	n/a
Moody's Adjusted Fixed Costs		3,802	26.76%	n/a

Source: Moody's Investors Service; audited financial statements

In the near-term the liabilities for both pensions and OPEB are likely to improve as the discount being used to value the liabilities moves closer to historical average. However, increasing health care costs will continue to drive up the village's OPEB if management does not look to reduce exposure to these costs.

Fiscal 2021 fixed costs, comprised of pensions, OPEB and debt service, are elevated at 25.9% of operating revenues. Fixed costs increased substantially in 2021 due to the recent issuance of debt and will likely increase further given the expected issuance of debt in 2022. Additionally, return on assets in the state run pension plans and future escalation of OPEB costs could materially affect fixed costs going forward.

## ESG considerations

### Ardsey (Village of) NY's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

#### ESG Credit Impact Score

# CIS-2

## Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.



Source: Moody's Investors Service

The Village of Ardsley's ESG credit impact score is neutral-to-low (**CIS-2**), reflecting neutral to low exposure to governance, and social risks, while environmental risks are moderately negative.

Exhibit 4

#### ESG Issuer Profile Scores

ENVIRONMENTAL

# E-3

## Moderately Negative



SOCIAL

# S-1

## Positive



GOVERNANCE

# G-2

## Neutral-to-Low



Source: Moody's Investors Service

### Environmental

The Village of Ardsley's overall environmental issuer profile score is moderately-negative (**E-3**). All issuers in Westchester 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 Ardsley's S 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 Westchester County have good access to basic services while risks associated with housing are neutral-to-low.

### Governance

The Village of Ardsley's **G-2** issuer profile score reflects neutral-to-low risk. 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 generally conservative budgeting, has allowed for stable 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 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 5

### Ardsley (Village of) NY

Rating Factors	Measure	Score
<b>Economy/Tax Base (30%)[1]</b>		
Tax Base Size: Full Value (in 000s)	\$1,124,336	A
Full Value Per Capita	\$248,034	Aaa
Median Family Income (% of US Median)	307.5%	Aaa
<b>Finances (30%)</b>		
Fund Balance as a % of Revenues	42.1%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	24.3%	Aa
Cash Balance as a % of Revenues	56.2%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	40.1%	Aaa
<b>Management (20%)</b>		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.1x	Aaa
<b>Debt and Pensions (20%)</b>		
Net Direct Debt / Full Value (%)	2.3%	A
Net Direct Debt / Operating Revenues (x)	1.8x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	2.1%	A
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.7x	A
	Scorecard-Indicated Outcome	Aa1
	Assigned Rating	Aa1

[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: US Census Bureau, {OrgName}'s financial statements and Moody's Investors Service

## 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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REPORT NUMBER

1337482

## Contacts

Robert Weber  
VP-Senior Analyst  
robert.weber@moodys.com

+1.212.553.7280

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454