

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa3 to Hyde Park, NY's GOLT bonds

24 Aug 2020

New York, August 24, 2020 – Moody's Investors Service has assigned a Aa3 rating to the Town of Hyde Park, New York's \$5.41 million Public Improvement Refunding (Serial) Bonds, 2020. Moody's maintains the Aa3 general obligation limited tax (GOLT) rating on the town's outstanding bonds as well as the town's Aa3 issuer rating.

The issuer rating is equivalent to the town's hypothetical general obligation unlimited tax rating (GOULT); there is no debt associated with the GOULT security. We consider the outstanding debt to be GOLT because of limitations under New York State law on property tax levy increases.

RATINGS RATIONALE

The Aa3 rating reflects the town's moderately-sized tax base which has been slower to recover to pre-recession highs, healthy financial position following years of consecutive surplus operations, low debt burden, below average unfunded pension liability, and above average unfunded OPEB liability.

The lack of distinction between the GOLT rating and the issuer rating reflects the town board's ability to override the property tax cap and the town's pledge of its faith and credit to pay debt service.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for the Town of Hyde Park, NY. The town has demonstrated a history of conservative budgeting of both revenues and expenditures, carefully monitors its financial position through monthly board reports, and does not expect to appropriate additional fund balance from the original budget. However, the situation surrounding the coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the Town of Hyde Park, NY changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Significant growth in the tax base and improvement in resident wealth and income
- Material decrease in pension or OPEB burdens
- Continuing surplus operations leading to strengthening reserves and liquidity

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Tax base contraction
- Trend of structural imbalance leading to material decline in reserves and liquidity
- Material growth in debt, pension or OPEB burdens

LEGAL SECURITY

The bonds are secured by the town'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).

USE OF PROCEEDS

Bond proceeds will be used to refund all or a portion of the outstanding principal amounts of the Public Improvement Serial Bonds, 2005, 2008A, and 2011.

PROFILE

The Town of Hyde Park is located along the Hudson River in Dutchess County (Aa2 stable) in New York's Hudson Valley, approximately 75 miles north of New York City. As of 2018, the town had 21,040 residents.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in July 2020 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

Please see www.moody.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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CREDIT OPINION

24 August 2020

New Issue

✓ Rate this Research

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Hyde Park (Town of) NY

Update to credit analysis

Summary

The credit profile of the [Town of Hyde Park, NY](#) (Aa3) is characterized by a moderately-sized tax base that has been slower to recover to pre-recession highs, but benefits from the institutional presence of the [Culinary Institute of America](#) (Baa2 stable). The town has a healthy financial position supported by years of consecutive surplus operations due to conservative budgeting. Additionally, the town has a low debt burden, below average unfunded pension liability, and above average unfunded OPEB liability.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. We do not see any material immediate credit risks for the Town of Hyde Park, NY. The town has demonstrated a history of conservative budgeting of both revenues and expenditures, carefully monitors its financial position through monthly board reports, and does not expect to appropriate additional fund balance from the original budget. However, the situation surrounding the coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the town changes, we will update our opinion at that time.

Credit strengths

- » Healthy reserves and liquidity driven by conservative budgeting
- » Low debt burden

Credit challenges

- » Tax base values have not yet recovered to pre-recession highs
- » Elevated unfunded OPEB liability relative to operations

Rating outlook

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

Factors that could lead to an upgrade

- » Significant growth in the tax base and improvement in resident wealth and income
- » Material decrease in pension or OPEB burdens
- » Surplus operations leading to strengthening reserves and liquidity

Factors that could lead to a downgrade

- » Tax base contraction
- » Trend of structural imbalance leading to material decline in reserves and liquidity
- » Material growth in debt, pension or OPEB burdens

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

Key indicators

Exhibit 1

Key Indicators for Hyde Park (Town of) NY

	2015	2016	2017	2018	2019
Economy/Tax Base					
Total Full Value (\$000)	\$1,496,936	\$1,486,660	\$1,587,588	\$1,563,067	\$1,624,639
Population	21,382	21,273	21,215	21,040	20,847
Full Value Per Capita	\$70,009	\$69,885	\$74,833	\$74,290	\$77,932
Median Family Income (% of US Median)	131.9%	134.8%	130.5%	122.8%	122.8%
Finances					
Operating Revenue (\$000)	\$9,365	\$9,595	\$10,029	\$10,388	\$10,690
Fund Balance (\$000)	\$1,046	\$1,605	\$1,973	\$2,499	\$2,759
Cash Balance (\$000)	\$649	\$1,387	\$2,149	\$1,652	\$2,115
Fund Balance as a % of Revenues	11.2%	16.7%	19.7%	24.1%	25.8%
Cash Balance as a % of Revenues	6.9%	14.5%	21.4%	15.9%	19.8%
Debt/Pensions					
Net Direct Debt (\$000)	\$12,241	\$10,256	\$10,470	\$9,550	\$8,000
3-Year Average of Moody's ANPL (\$000)	\$11,243	\$12,264	\$13,104	\$12,424	\$12,421
Net Direct Debt / Full Value (%)	0.8%	0.7%	0.7%	0.6%	0.5%
Net Direct Debt / Operating Revenues (x)	1.3x	1.1x	1.0x	0.9x	0.7x
Moody's - ANPL (3-yr average) to Full Value (%)	0.8%	0.8%	0.8%	0.8%	0.8%
Moody's - ANPL (3-yr average) to Revenues (x)	1.2x	1.3x	1.3x	1.2x	1.2x

Source: Audited financial statements, US Census Bureau, Moody's Investors Service

Profile

The Town of Hyde Park is located along the Hudson River in [Dutchess County](#) (Aa2 stable) in New York's Hudson Valley, approximately 75 miles north of New York City. As of 2018, the town had 21,040 residents.

Detailed credit considerations

Economy and tax base: Moderately-sized, recovering residential tax base

The town's \$1.7 billion suburban tax base is primarily residential in nature and will see additional residential and commercial growth in the coming years. Full valuation has not yet exceeded its \$2.1 billion high in 2009 prior to the financial crisis. However, the town's taxable values have grown in recent years at a five-year average annual rate of 2.4%. The Culinary Institute of America, a renowned school of culinary arts, is a tax-exempt property located in the town. Management reports that a new hotel, residential and commercial space project is expected to be completed in the spring of 2021. A recently completed Asahi Shuzo sake factory has added \$4 million to the tax rolls for 2021. Furthermore the home and birth place of Franklin D. Roosevelt and related former family estates are major tourist attractions. The town's top ten taxpayers comprise a modest 7.5% of assessed value.

The town's resident wealth and income levels are average and comparable to the state Aa3 rating category medians. Median family income of the town is 112.9% of the state median and 122.8% of the national median. Full value per capita is \$80,061, which is below that of the state and national median. Median home value is 72.4% of the state median and 106.7% of the national median.

The coronavirus is driving an unprecedented economic slowdown. We currently forecast US GDP to decline significantly during 2020 with a gradual recovery commencing toward the end of the year. Local governments with the highest exposure to tourism, hospitality, healthcare, retail, and oil and gas could suffer particularly severe impacts. The town does not have an outsized exposure to these areas.

Finances and liquidity: Healthy financial position driven by conservative budgeting

The town's financial position is expected to remain healthy, given the town's history of conservative budgeting, and eight years of consecutive surplus operations.

In fiscal 2019, available operating fund (inclusive of the General Fund and Highway Fund) balance increased by \$260,000 to \$2.8 million representing a healthy 25.8% of operating revenue, slightly below that of the Aa3 state median. The surplus operations and outperformance compared to budget were attributed to sales tax and mortgage tax revenues that exceeded budgeted amounts.

The fiscal 2020 operating fund budget saw a 2.11% property tax levy increase, and a 4.78% budget-to-budget expenditure increase. It also included a \$50,000 appropriation from General Fund fund balance. Management does not expect to use any fund balance at the end of the year and may expect a modest surplus due to conservative budgeting and recovering economically-sensitive revenues. Mortgage taxes are trending positively relative to budget at this point in the year, and may exceed budgeted amounts at the end of the year. About 65% of budgeted 2020 sales taxes are non-variable and paid to the town in quarterly installments by Dutchess County per the town's sales tax agreement. While the county has seen a 17% decrease in sales tax collections from April through June compared to the prior year, collections increased 3.5% in June compared to the prior year.

The town's primary revenue sources include property taxes (60.1% of fiscal 2019 operating revenues), non-property taxes including sales and mortgage taxes (18.0%), and intergovernmental aid (6.3%).

Liquidity

Liquidity increased in fiscal 2019 from the prior year, with operating net cash increasing from \$1.7 million to \$2.1 million, representing a healthy 19.8% of operating revenue. The increase is associated with surplus operations in fiscal 2019. The difference between net cash and total fund balance was primarily due to intergovernmental receivables which have since been collected.

Debt and pensions: Low debt burden, below average pension burden, and above average OPEB burden

The town has a low debt burden that is expected to remain manageable due to limited issuance plans that are largely consistent with amortization. Post issuance of the 2020 Bonds, the town will have \$6.6 million in net direct debt outstanding, representing a low 0.4% of full value and 0.6x operating revenue. The town has \$1.3 million in authorized but unissued debt, of which \$450,000 will be issued as BANs this year for highway trucks.

Legal security

The bonds are secured by the town'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 town's debt is fixed rate.

Debt-related derivatives

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

Pensions and OPEB

The town's unfunded pension liability is below average and increasing. The town's unfunded retiree healthcare (OPEB) liability is above average and increasing.

The town participates in the New York State and Local Employees Retirement System and the New York State Local Police and Fire Retirement System, two multi-employer, defined benefit retirement plans sponsored by the [State of New York](#) (Aa1 negative).

The table below summarizes the town's fiscal 2019 pension and OPEB contributions and unfunded liabilities.

Exhibit 2

Above average but manageable fixed costs

	Amount (\$ thousands)	% of Operating Revenues	Discount Rate
Operating Revenue	10,690		
Reported Unfunded Pension Liability	1,167	10.92%	7.00%
Moody's Adjusted Net Pension Liability	13,564	126.88%	3.83%
Reported Net OPEB Liability	23,877	223.36%	2.92%
Moody's Adjusted Net OPEB Liability	21,790	203.84%	3.22%
Pension Contribution	621	5.81%	
Pension Tread Water Gap	(89)	-0.83%	
OPEB Contribution	554	5.18%	
Net Direct Debt	8,000	74.84%	
Debt Service	1,234	11.54%	
Total Fixed Costs	2,409	22.54%	

[1] A positive pension tread water gap reflects a pension contribution less than the amount required to prevent the unfunded liability from increasing if all plan assumptions are realized. A negative tread water gap reflects a contribution greater than the amount required to keep the unfunded liability from increasing if all assumptions are realized.

Source: Moody's Investors Service, audited financial statements

Favorably, due to recent contributions in excess of tread water, the town's pensions are over funded on a reported basis and management does not expect to defer any portion of its annual pension contributions. The town's fiscal 2019 pension contribution of \$621,000 accounted for 5.8% of operating revenues and exceeded the tread water requirement by \$89,000.

The town's fiscal 2019 adjusted net pension liability (ANPL)¹, under our methodology for adjusting reported pension data, totaled \$13.6 million representing a below average 0.8% of full value and 1.3x operating revenue. Failure to achieve the assumed rate of return in the state sponsored pension plan could result in higher future pension contributions.

Negatively, New York State law does not allow for local governments to fund a trust for OPEB. While legislation to allow local governments to fund a trust is currently under discussion, the town continues to make its annual OPEB contribution, which in fiscal 2019 was \$554,000 representing 5.2% of operating revenue. Absent legislation, or changes to benefits, the town's total OPEB liability of \$21.8 million, which is an above average 1.3% of full value and 2.0x operating revenue, will continue to grow as benefits accrue. The pay-go contribution will also increase as the number of retirees covered increases and they age, potentially placing pressure on future budgets.

Fiscal 2019 fixed costs, comprised of pensions contributions, OPEB contributions and debt service, represented an above average 22.5% of operating revenue. Increased pension or OPEB contributions could result in higher fixed costs in the future.

ESG considerations

Environmental

Physical environmental risks associated with climate change represent a limited credit risk for the town 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 town's most significant exposure is its high risk to water stress and hurricanes, both of which could negatively affect tax base growth. This assessment is based on evaluation of risks to Dutchess County. Four Twenty Seven tracks data at the county and larger municipality level and thus no data is currently available for local governments with fewer than 50,000 residents. The town's exposure is mitigated by the towns' and county's active capital programs that are engaged in ongoing road repairs and water and sewer upgrades among other infrastructure projects, in addition to aid from FEMA for disaster recovery.

Social

Social issues are unlikely to pose a material credit risk over the next two years. We will continue to monitor a variety of social factors including demographics, wealth levels, population trends and employment levels, as these remain important key credit metrics. The town has a below average poverty rate of 11.1%, compared the national average of 14.1%. As of June 2020, the unemployment rate within Dutchess County was 11.5%, which is below the state rate of 15.6% but above the national rate of 11.2%.

Governance

Management has demonstrated a history of conservative budgeting with eight years of consecutive surplus operations, and monitors its financial position consistently through monthly reports to the board. Management is discussing increasing the town's current unassigned General Fund balance floor of 5-10%.

New York towns 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 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.

Hyde Park (Town of) NY		
Scorecard Factors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$1,684,494	Aa
Full Value Per Capita	\$80,061	Aa
Median Family Income (% of US Median)	122.8%	Aa
Notching Adjustments: ^[2]		
Other Scorecard Adjustment Related to Economy/Tax Base:		Down
Finances (30%)		
Fund Balance as a % of Revenues	25.8%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	19.1%	Aa
Cash Balance as a % of Revenues	19.8%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	13.4%	Aa
Notching Adjustments: ^[2]		
Other Scorecard Adjustment Related to Finances:		Down
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.1x	Aaa
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.4%	Aaa
Net Direct Debt / Operating Revenues (x)	0.6x	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.7%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.2x	A
	Scorecard-Indicated Outcome	Aa3
	Assigned Rating	Aa3

[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 latest GO Methodology Scorecard Inputs publication.

Source: Issuer's audited financial statements; US Census Bureau

Endnotes

- Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities.

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