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Summary:

Airmont, New York; General Obligation

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Summary:

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Credit Profile		
US$2.04 mil pub imp rfdg serial bnds ser 2015		
Long Term Rating	AA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating and stable outlook to the village of Airmont, N.Y.'s series 2015 public improvement refunding serial bonds.

A pledge of the village's faith and credit secures the bonds. Bond proceeds will refund debt issued in 2007 for level debt service savings, and there is no extension of final maturity.

The rating reflects our assessment of the following factors for the village:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Adequate management, with "standard" financial policies and practices under our Financial Management Assessment methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 29% of operating expenditures;
- Very strong liquidity, with total government available cash of 25.9% of total governmental fund expenditures and 2.2x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges of 12% of expenditures and net direct debt that is 101.8% of total governmental fund revenue and low overall net debt at less than 3% of market value and rapid amortization, with 66% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Airmont's economy very strong. The village, with an estimated population of 8,818, is located in Rockland County in the New York-Newark-Jersey City MSA, which we consider to be broad and diverse. The village has a projected per capita effective buying income of 135% of the national level and per capita market value of $121,046. Overall, the village's market value fell 3% over the past year, to $1.1 billion in 2015. The county unemployment rate was 5.1% in 2014.

The primarily residential village encompasses approximately five square miles of the town of Ramapo. We understand there to be no pending or outstanding tax certioraris that would have a material impact on the village's property tax base.

Adequate management

We view the village's management as adequate, with "standard" financial policies and practices under our Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

The village does not have a formal reserve policy, but has a goal of holding reserves at between 15%-20% of the budget. There is no formal debt policy, capital improvement plan, or long-term financial plan. Investment reporting is done annually and budget-to-actual reports are presented to the board quarterly. We understand the village reviews two years of historical information during budget preparation.

Strong budgetary performance

Airmont's budgetary performance is strong in our opinion. The village had operating surpluses of 2.1% in the general fund and 2.1% across all governmental funds in fiscal 2014.

The village's unaudited financial statements conform with generally accepted accounting principles (GAAP) and are submitted to the New York State Department of Audit and Control. The fiscal 2014 annual update document (AUD) identifies five funds and account groups, including the general fund; we use the general fund as a proxy for total governmental funds. Real property tax receipts accounted for 65% of fiscal 2014 general fund revenue, which we consider a strong and stable revenue source particularly since the county reimburses the village for all uncollected taxes. Management projects break-even results for fiscal 2015 and has no major budget concerns for fiscal 2016.

Very strong budgetary flexibility

Airmont's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 29% of operating expenditures, or $910,000.

The available general fund balance has increased each year since fiscal 2011 when it totaled $391,778. We do not expect the flexibility score to worsen given management's projection of break-even results for fiscal 2015.

Very strong liquidity

In our opinion, Airmont's liquidity is very strong, with total government available cash of 25.9% of total governmental fund expenditures and 2.2x governmental debt service in 2014. In our view, the village has satisfactory access to external liquidity if necessary.

The village's general fund balance sheet for fiscal 2014 consists mainly of cash (67% of the total); there are no investments identified and as such we do not believe the village has exposure to aggressive investments. We do not expect this score to weaken, and management reports no exposure to bank loans. Finally, we believe the village's issuance of GO bonds indicates strong access to external liquidity.

Strong debt and contingent liability profile

In our view, Airmont's debt and contingent liability profile is strong. Total governmental fund debt service is 12% of total governmental fund expenditures, and net direct debt is 101.8% of total governmental fund revenue. Overall net debt is low at 2.9% of market value and approximately 66% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

Management has no additional debt plans.

Airmont's pension contributions totaled 3.5% of total governmental fund expenditures in 2014. The village made its full annual required pension contribution in 2014.

Village employees receive pension benefits through the New York State and Local Employees' Retirement System, which is well funded at more than 80%. The village does not offer other postemployment benefits.

Strong institutional framework

The institutional framework score for New York villages is strong.

Outlook

The stable outlook reflects our opinion of the village's very strong budgetary flexibility and liquidity, supported by strong performance. Airmont's very strong economy, which benefits from its proximity to New York City, enhances rating stability. As such, we do not expect to change the rating in the two-year horizon.

Downside scenario

Should budgetary pressures arise that result in weakened liquidity and flexibility, we could lower the rating.

Upside scenario

We could raise the rating, all else equal, if more robust management practices and policies were adopted, coupled with the preparation of audited financial statements rather than AUDs.

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

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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