

CREDIT OPINION

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Contacts

Susanne Siebel +1.212.553.1809
 AVP-Analyst
 susanne.siebel@moody.com

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

CLIENT SERVICES

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

Harrison Fire Protection District No. 2, NY

Update to credit analysis following upgrade to Aa2

Summary

Harrison Fire Protection District No. 2 (Aa2) is located in the village of Harrison (Aaa stable) and is favorably located in Westchester County. The district's tax base is slightly less than half of the village's total economy and is largely residential. The district is home to some large corporate headquarters. Development is ongoing. The reserve position has improved annually and are at healthy levels. Fiscal 2021 fund balance should increase and fiscal 2022 operations are tracking well year-to-date. The debt burden is low and the district has minimal debt issuance plans in the near-term.

On July 20, Moody's upgraded the district's issuer and general obligation limited tax ratings to Aa2 from Aa3.

Credit strengths

- » Strong resident income levels
- » Low debt with minimal capital needs
- » Improved reserve position

Credit challenges

- » Modest operations

Rating outlook

Moody's typically does not assign outlooks to local governments with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Material growth of the tax base
- » Increase in reserves

Factors that could lead to a downgrade

- » Contraction of the tax base
- » Decline in reserves
- » Growth in long-term liabilities

Key indicators

Exhibit 1

Harrison Fire Protection District No. 2, NY	2016	2017	2018	2019	2020
Economy/Tax Base					
Total Full Value (\$000)	\$4,032,164	\$4,015,124	\$4,089,159	\$4,140,369	\$4,297,444
Population	28,082	28,319	27,956	28,135	28,363
Full Value Per Capita	\$143,585	\$141,782	\$146,271	\$147,161	\$151,516
Median Family Income (% of US Median)	186.7%	194.4%	204.2%	200.7%	194.4%
Finances					
Operating Revenue (\$000)	\$4,137	\$4,241	\$4,242	\$5,172	\$5,205
Fund Balance (\$000)	\$625	\$493	\$585	\$1,151	\$1,892
Cash Balance (\$000)	\$716	\$532	\$654	\$1,299	\$2,053
Fund Balance as a % of Revenues	15.1%	11.6%	13.8%	22.2%	36.4%
Cash Balance as a % of Revenues	17.3%	12.6%	15.4%	25.1%	39.4%
Debt/Pensions					
Net Direct Debt (\$000)	\$30	\$15	\$800	\$750	\$700
3-Year Average of Moody's ANPL (\$000)	\$53,927	\$31,951	\$0	\$47,273	\$108,150
Net Direct Debt / Full Value (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net Direct Debt / Operating Revenues (x)	0.0x	0.0x	0.2x	0.1x	0.1x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.3%	0.8%	0.0%	1.1%	2.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	13.0x	7.5x	0.0x	9.1x	20.8x

Note: the pension liabilities partially include village related pensions due to reporting

Source: Moody's Investors Service; village financial statements; US Census

Profile

The district comprises 6 square miles within the town of Harrison in Westchester County, NY. The district is mostly residential with some prominent commercial properties.

Detailed credit considerations

Economy and tax base: strong economy

The district's healthy tax base will remain stable over the next few years. Favorably located in Westchester next to White Plains, the district's territory is largely residential but does include several large commercial properties. Development within the district is ongoing with new residential units and some new retail space. Improvements to existing properties continues and will drive increases to its tax base.

Wealth levels for the district are strong for the state and nation. Using Harrison as a proxy for the district, MFI is equal to 194% of US which is above average for the region.

Financial operations and reserves: improved and strong reserves expected to hold

The district's reserve position will remain strong in the near-term. Current fiscal 2022 operations are trending well to budget and management is expecting a modest surplus by the end of the year. The surplus is expected even with an unexpected extra expense related to its current project that will require \$200,000 in reserves. Fiscal 2021 unaudited results show a big increase to \$2.8 million. The increase was driven by retirement of some of the more experienced and expensive firefighters.

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The district's reserves have been generally improving annually through modest increase in taxes (which account for almost 100% of revenues) while keeping spending level. Fiscal 2020 reserves are a six-year high for the district. There are no plans to draw reserves in the near-term as it has no current capital needs.

Liquidity

The district's cash is very strong. At the end of fiscal 2020, its cash balance was \$2.1 million or 39.4% of revenues.

Debt and pensions: low debt

The district has little new debt plants in the near-term. Including its upcoming issuance, the district's debt to full value will amount to 0.2%. After its current firehouse project is completed, there are no capital plans expected in the coming several years.

Legal security

Payment of principal and interest on the district's general obligation bonds is backed by the district's faith and credit supported by the district'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 (Chapter 97 (Part A) of the Laws of the State of New York, 2011).

Debt structure

All of the district's debt is fixed rate.

Debt-related derivatives

The district is not party to any interest rate swap or derivative agreements.

Pensions and OPEB

The district provides a pension benefit for paid firefighters through the state's Local Police and Fire Retirement System. The district's 2020 pension contribution was approximately \$453,000 or 8.7% of revenues. Employees also receive OPEB benefits however, this liability is not provided separately from the village's total liability.

ESG considerations

Environmental

The district is in Westchester County which has been identified as moderately negative exposure to storm-related risks and water stress.

Social

There are no major social considerations other than what has already been discussed in the economy and tax base section. The county's exposure to social factors as a whole is neutral.

Governance

Unique to other districts in the state, the village's financial management team oversees its operations which is a strength for the district compared to other fire district peers. The village aims to keep the operations of the fire district self-supporting.

New York Fire Districts have an Institutional Framework score of "Aa", which is strong. New York Fire Districts 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. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

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