

MOODY'S

INVESTORS SERVICE

CREDIT OPINION

8 December 2017

New Issue

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Village of Harrison, NY

New Issue - Moody's assigns Aaa to Harrison, NY's \$4.4 million GOs; Outlook stable

Summary Rating Rationale

Moody's Investors Service has assigned a Aaa rating to the Village of Harrison, New York's \$4.4 million Public Improvement Serial Bonds - 2017 Series C. Moody's maintains the Aaa rating on the village's outstanding General Obligation debt which totals \$61.5 million. The outlook is stable.

The Aaa rating reflects the village's sizable and affluent tax base that continues to benefit from ongoing commercial and residential development, strong resident wealth, healthy financial position supported by conservative budgetary management, and average debt and pension burdens.

Credit Strengths

- » Sizeable and affluent tax base with ongoing commercial and residential development
- » Continued growth in reserve and liquidity levels
- » Manageable debt

Credit Challenges

- » History of tax appeals, resulting in declines in taxable base

Rating Outlook

The stable outlook reflects our expectation of continued strong financial performance and stability in the local economy.

Factors that Could Lead to a Downgrade

- » Material decline in reserves and liquidity
- » Deterioration of taxable valuation and resident incomes and wealth

Key Indicators

Exhibit 1

Harrison (Village of) NY	2012	2013	2014	2015	2016
Economy/ Tax Base					
Total Full Value (\$000)	\$7,446,766	\$7,784,923	\$7,748,782	\$7,690,414	\$8,311,967
Population	-	27,636	27,822	27,998	28,340
Full Value Per Capita	\$272,008	\$281,695	\$278,513	\$274,677	\$293,295
Median Family Income (% of USMedian)	195.6%	190.9%	193.5%	189.0%	189.0%
Finances					
Operating Revenue (\$000)	\$68,375	\$67,931	\$70,050	\$68,029	\$71,357
Fund Balance (\$000)	\$8,024	\$12,106	\$17,785	\$21,340	\$28,852
Cash Balance (\$000)	\$15,854	\$21,813	\$24,263	\$26,253	\$34,732
Fund Balance as a % of Revenues	11.7%	17.8%	25.4%	31.4%	40.4%
Cash Balance as a % of Revenues	23.2%	32.1%	34.6%	38.6%	48.7%
Debt/Pensions					
Net Direct Debt (\$000)	\$64,112	\$65,908	\$65,136	\$67,077	\$62,109
3-Year Average of Moody's ANPL (\$000)	\$33,327	\$60,510	\$71,273	\$84,088	\$84,922
Net Direct Debt / Operating Revenues (x)	0.9x	1.0x	0.9x	1.0x	0.9x
Net Direct Debt / Full Value (%)	0.9%	0.8%	0.8%	0.9%	0.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.5x	0.9x	1.0x	1.2x	1.2x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.4%	0.8%	0.9%	1.1%	1.0%

Source: Moody's Investor Service

Detailed Rating Consideration

Economy and Tax Base: Sizable Tax Base Continues To Benefit From Ongoing Development

The village's tax base continues to benefit from ongoing commercial and residential development due to its favorable location in Westchester County (Aa1 stable). Morgan Stanley (A3 stable), MasterCard Incorporated (A2 stable) and PepsiCo, Inc. (A1 stable) all have corporate headquarters or major offices within the village and continue to invest in expansion and renovation of their facilities. Further commercial growth within the village includes a development agreement with the Metropolitan Transportation Authority (Aa2 stable) and AvalonBay Communities, Inc. to develop a 570 space parking garage along with retail and high-end residential units, which will begin construction in 2018. Additionally, several multi-family developments and single-family residential units are under construction including a 421 luxury apartment complex that will replace two vacant office buildings.

These developments will continue to add to the village's assessed valuation and revenue growth. The village's large \$8.3 billion tax base has contracted an average of 0.6% per year over the past five years, including a small 0.6% in 2017, after an 8.1% increase in 2016. However, with the ongoing conversion of vacant office space into mixed use development projects, management expects the base to grow going forward. PILOT agreements will continue to augment property taxes while protecting the village from future tax certiorari claims.

Residents continue to benefit from employment opportunities within the village, surrounding towns and in nearby New York City (Aa2 stable). Resident incomes and wealth are strong. The village's median family income is 189% of the US median, according to the 2015 American Community Survey. Full value per capita is high at \$291,423. The September 2016 unemployment rate of 4.6% is below the state (4.7%) and national (4.1%) rates.

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

Financial Operations and Reserves: Sound Financial Position With Healthy Reserves

The village's healthy financial position will continue to strengthen based on operating surpluses driven by the villages strong fiscal management and underlying economy. The village has achieved operating surpluses in each of the past seven years, including a \$2.9 million surplus in fiscal 2016. The surplus in 2016 was mostly due to positive variances in licenses and permits as well as fines and forfeitures. The available Operating Fund balance (including the General, Debt Service, Highway, Special Districts, and Public Library Funds) at the end of fiscal 2016 totaled a healthy \$28.9 million, or 40.4% of operating revenues, up from \$21.3 million or 31.4% in fiscal 2015. Property taxes are the main source of operating revenues at 74%.

The fiscal 2017 budget included a 0.5% tax levy increase (within the village's cap) and no use of fund balance. Management projects a \$3.3 million operating surplus in fiscal 2017 due largely to increases in Mortgage Tax (allocated by the state), Court Fees (Fines and Forfeitures), Building Fees and Sales Tax Revenue.

Fiscal 2018 budget increased by 2.57% and was balanced with a 2.98% tax levy increase (under the state cap), and without appropriation of any fund balance.

LIQUIDITY

Cash and investments at the end of fiscal 2016 were strong at \$34.7 million, or 48.7% of operating revenues.

Debt and Pensions: Average Debt and Pension Burdens

The village's debt burden will likely remain average given manageable additional debt plans and continued tax base growth. The village's direct debt burden is average at 0.9% of full value while overall debt burden, inclusive of overlapping entities, increases to 1.5% of full value. Post-sale, the village will have a total of \$71.5 million of GO debt. The village expects to issue five million of debt annually for ongoing capital improvements, however management is committed not to add more debt than the village will pay down in each year after this issuance.

DEBT STRUCTURE

All of the village's debt is fixed rate. Amortization is average, with 74.5% repaid within ten years.

DEBT-RELATED DERIVATIVES

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

PENSIONS AND OPEB

The village has historically made its required contributions to its pension plans and the pension burden will remain average. The village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), two multi-employer, defined benefit retirement plans sponsored by the State of New York (Aa1 stable). For fiscal 2015, employer contributions to the plans totaled \$4.6 million, or approximately 6.4% of operating expenditures. The village's combined adjusted net pension liability (ANPL) in fiscal 2015, under Moody's methodology for adjusting reported pension data, was \$84.9 million, or an average 1.31 times operating revenues. Moody's uses the ANPL to improve comparability of reported pension liabilities. The adjustments are not intended to replace the village's reported liability information, but to improve comparability with other rated entities. We determined the village's share of liability for the state-run plans in proportion to its contributions to the plans.

The village provides other post employment benefits (OPEB) to retirees on a pay-go basis. In fiscal 2016, the village contributed \$5.1 million to OPEB costs, or a moderate 7.2% of operating expenditures. The total unfunded liability is \$262 million as of January 1, 2015. Fixed costs, including debt service, required pension contributions, and OPEB liabilities, totaled 24.4% of fiscal 2016 operating expenditures.

Management and Governance: Conservative Budgetary Management

Management's commitment to conservative budgeting will continue to support the village's strong financial position. The village is currently exceeding its informal target to maintain the Operating Fund balance at a minimum 20% of budgeted expenditures. Additionally, the village's board is committed to balancing budgets without the use of reserves or one-time revenue sources, staying within the property tax levy cap, budgeting revenues and expenditures conservatively, seeking ways to increase recurring revenues and decrease recurring expenditures, and reducing staff through attrition. Village management expects the board to adopt a formal fund balance policy in 2017.

New York cities, towns and villages have an Institutional Framework score of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. 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. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. New York State has public sector unions and the additional constraint of the Triborough Amendment, which limits the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be moderate, or between 5-10% annually.

Legal Security

The bonds are secured by a general obligation pledge, as limited by the Property Tax Cap - Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011). There is no notching distinction between the limited tax and unlimited tax pledge due to the municipality's ability override the tax cap with a majority vote of the village council.

Use of Proceeds

The 2017 Series C bonds will be used for road improvement and other various capital improvements within the village.

Obligor Profile

The Village of Harrison is coterminous with the town of Harrison and located within Westchester County. The total population is 28,348.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

Ratings

Exhibit 2

Harrison (Village of) NY

Issue	Rating
Public Improvement Serial Bonds - 2017 Series C	Aaa
Rating Type	Underlying LT
Sale Amount	\$4,346,000
Expected Sale Date	12/12/2017
Rating Description	General Obligation Limited Tax

Source: Moody's Investors Service

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