

**CREDIT OPINION**

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 Rate this Research

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**Harrison (Village of) NY**
**Update to Credit Analysis**
**Summary**

The [Village of Harrison, NY's](#) (Aaa) credit quality incorporates the village's sizable and affluent tax base that continues to benefit from its proximity to New York City (Aaa) leading to its ongoing commercial and residential development and strong resident wealth levels. It boasts a healthy financial position supported by conservative budgeting and a recent history of surplus operations. However, the village's long-term liability profile is high compared to similarly rated peers. This is mitigated in part by the self supporting nature of water, sewer, golf course debt. As well as a modest portion of debt that is tied exclusively to the fire district and special assessments. Expanding long term liabilities which erode operational flexibility would be cause for concern. Fiscal 2021 is expected to end with a surplus. The fiscal 2022 budget will be under the tax cap and does not include the use of fund balance to balance the budget.

**Credit strengths**

- » Proximity to New York
- » Sizeable and affluent tax base with ongoing commercial and residential development
- » Strong financial position

**Credit challenges**

- » Elevated long term liabilities and fixed costs

**Rating outlook**

The stable outlook reflects our expectation of continued strong financial and economic performance.

**Factors that could lead to a downgrade**

- » Material decline in reserves
- » Deterioration of taxable value
- » Increases in long term liabilities that reduces operating flexibility



## Key indicators

Exhibit 1

Harrison (Village of) NY

	2016	2017	2018	2019	2020
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$8,311,967	\$8,258,919	\$8,383,290	\$8,462,591	\$8,873,915
Population	28,082	28,319	27,956	28,135	28,135
Full Value Per Capita	\$295,989	\$291,639	\$299,874	\$300,785	\$315,405
Median Family Income (% of US Median)	186.7%	194.4%	204.2%	200.7%	200.7%
<b>Finances</b>					
Operating Revenue (\$000)	\$71,357	\$71,202	\$73,935	\$77,373	\$75,078
Fund Balance (\$000)	\$27,522	\$31,165	\$36,684	\$33,186	\$34,262
Cash Balance (\$000)	\$34,732	\$66,657	\$43,853	\$42,870	\$44,059
Fund Balance as a % of Revenues	38.6%	43.8%	49.6%	42.9%	45.6%
Cash Balance as a % of Revenues	48.7%	93.6%	59.3%	55.4%	58.7%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$62,109	\$69,315	\$83,355	\$89,016	\$86,926
3-Year Average of Moody's ANPL (\$000)	\$84,922	\$88,966	\$83,691	\$83,547	\$98,112
Net Direct Debt / Full Value (%)	0.7%	0.8%	1.0%	1.1%	1.0%
Net Direct Debt / Operating Revenues (x)	0.9x	1.0x	1.1x	1.2x	1.2x
Moody's - ANPL (3-yr average) to Full Value (%)	1.0%	1.1%	1.0%	1.0%	1.1%
Moody's - ANPL (3-yr average) to Revenues (x)	1.2x	1.2x	1.1x	1.1x	1.3x

Fiscal year end December 30

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

## Profile

The Village of Harrison is located in southern Westchester County (Aa1 Stable) in New York's Hudson Valley, approximately 30 miles northeast of New York City. The Village of Harrison has approximately 28,315 residents as of fiscal 2020 and a per capita full value of \$315,405. The village and town are coterminous.

## Detailed credit considerations

### Economy and tax base: The village benefits from continued growth of tax base and population

The economy and tax base of the Village of Harrison are healthy and consistent with the assigned rating of Aaa. The full value (\$8.8 billion) is above the US median, and grew markedly from 2015 to 2020. Property values trends continue to show modest growth as the village benefits from continued residential and commercial development responding to growing demand. The demand is attributed to migration out of New York City. The village's full value per capita on 2020 is \$315,405 reflects the demand and regional wealth levels. The median family income is a robust 200% of the US level. The median age and poverty levels are below the state wide medians for the state of New York.

### Financial operations and liquidity: Surplus operations and solid liquidity

Harrison's financial position is very healthy and is in line with its Aaa rating. Fiscal 2020 ended positively bringing available operating fund balance levels to \$34.3 million or 45.6% of operating revenues and includes \$16 million of unassigned fund balance. The village expects to add \$2.2 million to its unassigned fund balance in 2021 increasing it to \$18 million. The fiscal 2021 budget did not utilize fund balance and fiscal 2022's budgetary tax rate remains below the tax cap and the village is not expected to use fund balance.

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Special district funds including water, sewer, fire, and fire awards program had an aggregate margin of over 30% and added to the special district fund balance. The individual funds generated modest operational surpluses with one fire district having a small deficit. The fund balance for the water district declined due to a transfer out for debt service which required use of fund balance. This is expected to be a one time draw as the village chose to forgo a water rate increase in fiscal 2020 due to the pandemic. A water rate increase of 10% was authorized in September 2021 should eliminate the use of fund balance in future years.

#### **Liquidity**

The village's fiscal 2020 cash balance increased to \$44 million or 59% of operating revenues well above other Moody's-rated municipalities nationwide. This provides additional operating flexibility. This is expected to improve for fiscal 2021.

#### **Debt and other long term liabilities: High debt burden drives elevated fixed costs**

Total debt levels following the December 2021 issuance will be approximately \$118 million. This includes \$48 million of debt paid through general fund taxes; \$35.7 million paid through water and sewer fees; \$11 million paid through special district assessments; and \$15.7 million paid from Golf club membership fees. The debt also includes various capital leases and other modest debts. The Golf Club was purchased in the past year and converted to a municipal golf course. The city indicates the course continues to have very strong demand, similar to many of the regional courses. This purchase was authorized by vote of a village meeting. The management of the golf course is contracted through a corporation that manages several regional golf courses. The net direct debt (\$118 million) is 1.4% of full value. If adjusted for only debt that was paid through general fund taxes net direct debt would decline to a modest 0.55% of full value and below one-time total operating revenue.

#### **Legal security**

The bonds are secured by the village's general obligation pledge as limited by 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 village's debt is fixed rate. As of fiscal 2020 approximately 62% of the debt is expected to amortize over the next 10 years. Debt service is an elevated 30% of fiscal 2020 revenues.

#### **Debt-related derivatives**

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

#### **Pensions and OPEB**

The debt and unfunded long term liabilities total 546% of revenues. This is high compared to its peers regionally and nationally and is a long term credit challenge. This is in part offset by approximately 50% of debt being self supported by enterprise funds special districts taxes. In addition, while unfunded liabilities have declined due to performance of pension asset investment returns in the short term. The village's pension costs should also moderate as the village expects to see structural changes in its work force with the majority of the high benefit accruing employees retiring over the next five years. This structural change is expected to moderate the current growth trajectory. While fixed costs continued to be elevated the self supporting nature of a substantial portion of the debt and overall wealth levels and strength of the tax base make the fixed costs manageable.

The village has historically made its required contributions to its pension plans and is expected to continue this practice. 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 (Aa2 stable).

The village funds retiree health care (OPEB) on a pay-go basis. Fiscal 2020 OPEB expense totaled \$7.5 million representing 10% of revenues. Because the village is not setting aside funds for OPEB as benefits accrue, which is not permitted under New York State law although changing that is under discussion in the legislature, these costs will likely increase as the number of retirees goes up and they age. Absent legislation or changes to benefits, the village's OPEB liability, of \$200 million on an adjusted basis as of the last actuarial valuation, will continue to grow.

Fixed costs comprised of pensions, OPEB and debt service accounted for an elevated 30% of fiscal 2020 operating revenues. Further elevation of fixed costs resulting from increased pension and OPEB contributions represents a possible future credit challenge.

## Exhibit 2

## Debt and long term liabilities and fixed costs are elevated

2020	(000)	% of Operating Revenues	Discount Rate
Operating Revenue	75,078	n/a	n/a
Reported Unfunded Pension Liability	29,135	39%	6.76%
Moody's Adjusted Net Pension Liability	123,418	164%	3.12%
Reported Net OPEB Liability	221,594	295%	2.00%
Moody's Adjusted Net OPEB Liability	199,827	266%	2.52%
Net Direct Debt	86,926	116%	n/a
Debt & unfunded retirement benefits (Moody's adjusted)	410,171	546%	
Pension Contribution	4,758	6.34%	n/a
OPEB Contribution	7,538	10.04%	n/a
Debt Service	10,487	13.97%	n/a
Total Fixed Costs	22,783	30.35%	n/a

Source: Issuer Financial Statements and Moody's Investors Service

## ESG considerations

### Environmental

There are no material environmental considerations. Storm water and sewers systems infrastructure integrity is currently being addressed through several engineering studies. Westchester Joint Water Works, which the village is 57% owner, is in the process of updating water lines throughout Harrison. Both Sewer and Waterworks projects are funded through user fee's.

### Social

There are no material social considerations.

### Governance

Management maintains long term capital planning plans updated annually and budgets conservatively as evidenced by a history of operating surpluses.

New York villages and towns have an institutional framework score <sup>1</sup> of "Aa", which is strong. New York Villages and Towns 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.

Exhibit 3

### Harrison (Village of) NY

Rating Factors	Measure	Score
<b>Economy/Tax Base (30%)</b> <sup>[1]</sup>		
Tax Base Size: Full Value (in 000s)	\$8,661,010	Aa
Full Value Per Capita	\$307,838	Aaa
Median Family Income (% of US Median)	200.7%	Aaa
<b>Finances (30%)</b>		
Fund Balance as a % of Revenues	45.6%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	17.2%	Aa
Cash Balance as a % of Revenues	58.7%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	23.7%	Aa
<b>Management (20%)</b>		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	Aa
<b>Debt and Pensions (20%)</b>		
Net Direct Debt / Full Value (%)	1.4%	Aa
Net Direct Debt / Operating Revenues (x)	1.6x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.1%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.3x	A
	Scorecard-Indicated Outcome	Aaa
	Assigned Rating	Aaa

[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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