

RatingsDirect®

Summary:

Saltaire, New York; General Obligation

Primary Credit Analyst:

Timothy W Little, New York (1) 212-438-7999; timothy.little@standardandpoors.com

Secondary Contact:

Ruth S Ducret, New York (1) 212-438-1410; ruth.ducret@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Saltaire, New York; General Obligation

Credit Profile

Saltaire Vill GO

<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Upgraded
<i>Long Term Rating</i>	AAA/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term rating on the village of Saltaire, N.Y.'s general obligation (GO) bonds to 'AAA' from 'A+', based on its local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the village's faith and credit secures the bonds.

The rating reflects our assessment of the following factors, including the village's:

- Very strong economy as the village is part of the New York-Newark-Jersey City, N.Y.-N.J. metropolitan statistical area (MSA);
- Strong management conditions with what we consider "good" financial policies and practices based on our Financial Management Assessment (FMA) methodology;
- Very strong budgetary flexibility based on what we consider a very strong available fund balance;
- Adequate budgetary performance with a history of positive general fund results;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Adequate debt and contingent liabilities position, which includes overall net debt at less than 3% of market value and rapid amortization of principal.

Very strong economy

Saltaire village, on Fire Island (Long Island), serves primarily as a summer destination for New York City MSA residents. With a permanent population of 20 and a peak summer population of more than 2,000, Saltaire consists of approximately 400 mid- to high-income cottages and second homes along the Atlantic Ocean beachfront. Suffolk County unemployment averaged 6.4% in 2013. Residents have access to additional employment in the broad and diverse New York-Newark-Jersey City MSA. Projected per capita effective buying income (EBI) is a very strong 301.5% of the national level, which we consider a positive overriding factor.

Residential properties account for nearly 100% of total assessed valuation (AV). Saltaire's AV has been stable the past three fiscal years. For fiscal 2013, total AV was \$39 million; we consider Saltaire's market value per capita extremely strong at about \$19.3 million. The village's property tax base is very diverse, as the 10 leading taxpayers account for 7% of total AV.

Strong management conditions

Standard & Poor's considers Saltaire's financial management practices "good" under its FMA methodology, indicating financial practices exist in most areas, but that governance official might not formalize or regularly monitor all of them.

Very strong budgetary flexibility

In our opinion, budgetary flexibility is very strong. Over the past three fiscal years, the village has maintained positive general fund performance and grown available reserves to a very strong 33% of expenditures for fiscal 2013 or \$969,000. The village maintains an informal policy to keep its reserves at \$1 million or a minimum 20% of budgeted expenditures.

Adequate budgetary performance

We consider the village's budgetary performance adequate, when considering one-time federal disaster assistance revenue and insurance recoveries during the year that result in a general fund result of 3.8% of expenditures. Saltaire's tax base provides financial stability. Property taxes are the village's leading revenue source, accounting for 60% of general fund revenues, and collections have historically averaged 99% on a current basis. The village's revenue base is diverse and it does not receive federal revenue outside of the one-time disaster relief assistance. The village ended fiscal 2013 with a total governmental fund deficit of less than 1% of expenditures when considering one-time revenue and expenditures. However, we expect some performance volatility to continue for the next several years as the village manages its post-Sandy recovery.

The village incurred significant damage related to Hurricane Sandy in 2012 and has been receiving FEMA aid for operational assistance the past two fiscal years that will end at the conclusion of fiscal 2015. The village conservatively does not budget for the receipt of this aid. For fiscal 2013, the village received about \$329,000 in insurance recoveries, about \$358,000 in federal operational assistance, and almost a \$1 million for capital projects. The Army Corps of Engineers received full funding for Fire Island protection as part of the Sandy relief package and includes ongoing maintenance of the beachfront to improve protection against future storms.

Very strong liquidity

Saltire has a very strong liquidity position, with total government available cash at 73% of total governmental fund expenditures and 400% of debt service. We believe the village has strong access to external liquidity, having issued GO bonds within the past 10 years.

Adequate debt and contingent liability profile

The debt and contingent liability profile is adequate. The village's initial debt profile is very weak, with net direct debt 158% of revenue and with total governmental fund debt service 18% of total governmental fund expenditures. The village's debt profile is improved when considering overall net debt is less than 3% of market value and rapid amortization of principal with 97% retired within 10 years. The village plans to issue up to \$1.5 million over the next two years to finance needed capital improvements.

Saltire participates in the New York State Employees' Retirement System and contributed its full annual required contribution of \$131,131 in fiscal 2013. As of its 2012 valuation, the system was about 87.2% funded. The village also provides other postemployment benefits (OPEBs) in the form of health insurance and contributed \$33,359 in fiscal 2013 on a pay-as-you-go basis. As of its June 1, 2012 valuation, the OPEB plan had an unfunded liability of \$1.8

million. In fiscal 2013, the combined pension and OPEB payments represented 5.4% of total government expenditures.

Strong institutional framework

We consider the Institutional Framework score for New York villages strong.

Outlook

The stable outlook reflects Standard & Poor's expectation that Saltaire will continue to adjust its budget to maintain structural balance while maintaining its very strong reserves. The underlying wealth and income levels provide rating stability. We believe the village's strong economic and financial indicators stabilize the rating. However, the village continues its post-Sandy recovery, which may require additional debt issuance and use of reserves.

If performance were to significantly deteriorate along with reserves, we may lower the rating. We view the village's extremely strong projected EBI as an overriding factor and if it were to significantly decrease, we could lower the rating. Given the village's strong management conditions and history of maintaining stable operations, we do not anticipate changing the rating within the two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- U.S. State And Local Government Credit Conditions Forecast, April 7, 2014
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: New York Local Governments

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