

## ISSUER COMMENT

19 February 2020

### RATING

#### General Obligation (or GO Related) <sup>1</sup>

Aa3 No Outlook

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## Village of Bayville, NY

### Annual Comment on Bayville

#### Issuer Profile

The Village of Bayville is located on western Long Island in Nassau County, New York, approximately 40 miles northeast of New York City. The county has a population of 1,356,564 and a high population density of 4,732 people per square mile. The county's median family income is \$129,807 (1st quartile) and the December 2019 unemployment rate was 3.4% (2nd quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are health services, retail trade, and finance/insurance.

#### Credit Overview

The credit position for Bayville is solid, and its Aa3 rating is level with the median rating of Aa3 for US cities. Key credit factors include a robust financial position, a modest debt burden and an average pension liability. It also reflects a strong wealth and income profile and a limited tax base.

**Finances:** The village has a robust financial position, which is a strength with respect to the assigned rating of Aa3. The fund balance as a percent of operating revenues (85.8%) materially surpasses the US median, and saw an impressive increase from 2015 to 2019. The cash balance as a percent of operating revenues (44.8%) approximates other Moody's-rated cities nationwide.

**Debt and Pensions:** The debt burden of the village is small and favorable with respect to its Aa3 rating. Bayville's net direct debt to full value (0.2%) is significantly lower than the US median, and remained stable between 2015 and 2019. That said, the village has a moderate pension liability and that is slightly unfavorable relative to the assigned rating of Aa3. However, the Moody's-adjusted net pension liability to operating revenues (0.96x) is favorably below the US median.

**Economy and Tax Base:** Overall, the economy and tax base of Bayville are solid and relatively strong in comparison to its Aa3 rating position. The median family income is a robust 159.8% of the US level. Additionally, the village's full value per capita (\$176,986) is substantially above other Moody's-rated cities nationwide, and increased between 2015 and 2019. However, the total full value (\$1.2 billion) is modest and below average compared to the US median.

**Management and Governance:** New York cities have an institutional framework score <sup>3</sup> of "A", which is moderate. 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 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.

## Sector Trends - New York Cities

New York cities, towns and villages will benefit from the state's improving economy, although economic growth varies significantly across regions. Local governments continue to be pressured by revenue constraints, including limitations on property tax growth, flat state aid, and reliance on economically sensitive sales tax and mortgage tax revenues. Local governments will continue looking at ways to limit expense growth including contract negotiations with collective bargaining groups and shared services with other local governments. Pension liabilities are not a pressure for New York local governments due to the well-funded nature of the state run plan.

EXHIBIT 1

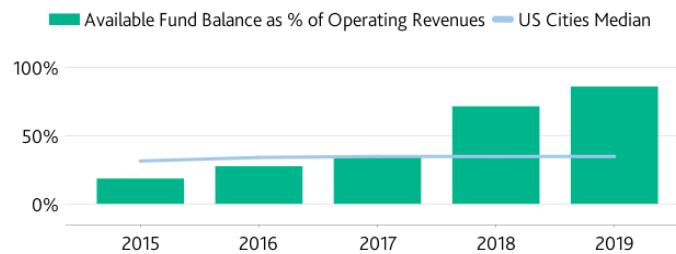
### Key Indicators <sup>4 5</sup> Bayville

	2015	2016	2017	2018	2019	US Median	Credit Trend
<b>Economy / Tax Base</b>							
Total Full Value	\$1,033M	\$1,111M	\$1,098M	\$1,142M	\$1,193M	\$1,904M	Improved
Full Value Per Capita	\$153,640	\$164,857	\$162,718	\$169,481	\$176,986	\$94,106	Improved
Median Family Income (% of US Median)	181%	169%	160%	160%	160%	111%	Weakened
<b>Finances</b>							
Available Fund Balance as % of Operating Revenues	18.5%	27.5%	34.6%	71.4%	85.8%	34.6%	Improved
Net Cash Balance as % of Operating Revenues	10.1%	18.1%	23.3%	33.2%	44.8%	39.6%	Improved
<b>Debt / Pensions</b>							
Net Direct Debt / Full Value	0.4%	0.3%	0.3%	0.2%	0.2%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.71x	0.62x	0.52x	0.43x	0.36x	0.84x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.4%	0.4%	0.4%	0.4%	0.5%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.81x	0.81x	0.78x	0.78x	0.96x	1.56x	Stable
	2015	2016	2017	2018	2019	US Median	
<b>Debt and Financial Data</b>							
Population	6,724	6,745	6,752	6,744	6,744	N/A	
Available Fund Balance (\$000s)	\$1,044	\$1,611	\$2,082	\$4,490	\$5,320	\$8,028	
Net Cash Balance (\$000s)	\$572	\$1,063	\$1,404	\$2,088	\$2,777	\$9,530	
Operating Revenues (\$000s)	\$5,647	\$5,860	\$6,018	\$6,292	\$6,196	\$23,172	
Net Direct Debt (\$000s)	\$3,986	\$3,615	\$3,151	\$2,697	\$2,257	\$19,139	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$4,549	\$4,742	\$4,704	\$4,914	\$5,941	\$35,448	

Source: Moody's Investors Service

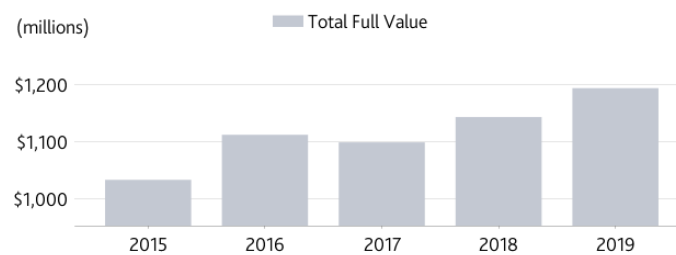
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## EXHIBIT 2

**Available fund balance as a percent of operating revenues increased significantly from 2015 to 2019**

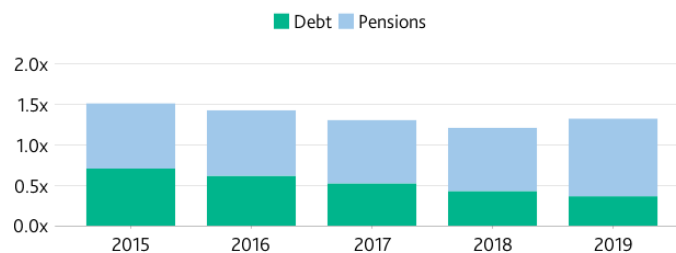
Source: Issuer financial statements; Moody's Investors Service

## EXHIBIT 3

**Full value of the property tax base increased from 2015 to 2019**

Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## EXHIBIT 4

**Moody's-adjusted net pension liability to operating revenues increased from 2015 to 2019, while the debt burden declined**

Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
  - 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- 3 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 \(December 2016\)](#) methodology report for more details.
  - 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
  - 5 The medians come from our most recently published local government medians report, [Medians - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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