



New Issue: Moody's assigns Aa2 rating to the Village of Croton-on-Hudson's (NY) \$3.445 million Public Improvement Refunding Serial Bonds, Series 2013A

Global Credit Research - 22 Feb 2013

Affirms Aa2 rating on \$18.75 million of outstanding parity debt including the current sale

CROTON-ON-HUDSON (VILLAGE OF) NY
Cities (including Towns, Villages and Townships)
NY

Moody's Rating

ISSUE	RATING
Public Improvement Refunding Serial Bonds, Series 2013A	Aa2
Sale Amount	\$3,445,000
Expected Sale Date	03/05/13
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, February 22, 2013 --Moody's Investors Service has assigned a Aa2 rating to the Village of Croton-on-Hudson's (NY) \$3.445 million Public Improvement Refunding Serial Bonds, Series 2013A. Concurrently, Moody's has affirmed the Aa2 rating on the village's \$18.75 million of outstanding general obligation debt, including the current sale. 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). Proceeds from this issue will be used to refund the village's Series 2002, Series 2003, Series 2004, and Series 2005 bonds for estimated net present value savings of \$155,000, or roughly 5%.

SUMMARY RATINGS RATIONALE

The Aa2 rating reflects the village's well-managed financial operations with ample reserve levels. It also incorporates the village's wealthy, moderately sized economic base, stable taxable values, and a manageable debt position.

Effective January 1, 2012, all local governments in New York State are subject to a property tax cap which limits levy increases to 2% or the rate of inflation, whichever is lower. While school district debt has been exempted from the cap, debt has not been exempted for all other local governments. Moody's will continue to treat school district general obligation debt issued in New York as an unlimited tax pledge and continue to research the impact of the property tax cap on debt issued by nonschool districts. For more information regarding the property tax cap please reference the Special Comment "New York State's Property Tax Cap will Further Pressure Local Government Finances; School District's Most Impacted" released July 5, 2011.

STRENGTHS

-Strong, proactive financial management practices which have resulted in sound financial operations and solid reserve levels

-Moderately-sized tax base characterized by strong socioeconomic factors

CHALLENGES

-High fixed costs including pension and retiree health benefits

DETAILED CREDIT DISCUSSION

WELL-MANAGED FINANCIAL OPERATIONS RESULT IN SOLID RESERVE LEVELS

Moody's anticipates that the village's financial position will remain stable, given a history of conservative budgeting of revenues, the maintenance of strong reserve levels, and timely tax increases. Fiscal 2012 resulted in the village's third consecutive year of operating surpluses, adding another \$512,439 to General Fund reserves. This increased total General Fund balance to \$7 million, or a strong 40% of revenues from a recent fiscal 2009 low of \$5.7 million or 35.3% of revenues. Favorable operating results have primarily been driven by sales tax revenues outperforming the budget and favorable expenditure variances. General Fund revenues are primarily comprised of property taxes (60.6%), sales taxes (7.3%), and state aid (1.6%).

The village also operates a 2,000-space parking lot at the Croton-Harmon Train Station on the Metro-North rail line that accounts for 17% of budgeted revenues and only 4% of expenditures. The net revenues of the parking operations help to contribute to stable General Fund operations. Favorably, the village typically budgets conservatively for parking permit fees, which is a major contributor to the positive budget variance the village generates each year.

AFFLUENT, MODERATELY SIZED ECONOMIC BASE

Moody's expects that growth in the village's moderately-sized \$1.2 billion tax base will slow in the near term reflecting the regional housing trend and the sluggish economic outlook. In the longer term, the village will continue to benefit from a large commuter presence and close proximity to employment opportunities in Westchester County (rated Aaa/negative outlook) and New York City (rated Aa2/stable outlook). Taxable values have decreased slightly in the last five years after successful tax appeals that included top tax payer, Hudson National Golf Club, and a change in the calculation of special franchise assessments decreasing the assessed valuation of utility franchises. The village reports no significant outstanding tax appeals at this time. The village's previously strong average annual full value growth of 7% has reversed to a slight 0.1% average annual decline over the last five years reflecting a limited number of lots available for development and sluggish market value trends. Economic indicators remain strong with median family income at 177% and 165% of state and national levels respectively.

MANAGEABLE DEBT BURDEN

Moody's expects the village's direct debt level of 1.9% to remain manageable. The village's overall debt position of 3.4% is slightly above average and represents the village's prorated share of the overlapping obligations of Westchester County, the Town of Cortlandt and the Croton-Harmon Union Free School District (G.O. rated Aa2). Amortization of principal is below-average with 71.5% of principal repaid within 10 years. All of the village's debt is fixed rate and is not a party to any derivative agreements.

WHAT COULD MAKE THE RATING GO UP

- Sizeable growth in the village's underlying tax base stemming from significant commercial or residential redevelopment
- Significant growth in reserves

WHAT COULD MAKE THE RATING DOWN

- Significant erosion in the village's financial position as evidenced by its financial flexibility and/or reserves

KEY STATISTICS

2010 Population: 8,070 (6.1% increase from 2000)

2013 Full valuation: \$1.2 billion

2013 Full value per capita: \$142,292

Per capita income: 175.5% of state, 155% of US

Median family income: 177.0% of state, 165.4% of US

Direct debt burden: 1.9% of full value

Overall debt burden: 3.4% of full value

Payout of principal (10 years): 71.5%

FY 2012 Total General Fund Balance: \$7 million (40% of revenues)

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

Please see www.moody.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody.com for additional regulatory disclosures for each credit rating.

Analysts

Dan Seymour
Lead Analyst
Public Finance Group
Moody's Investors Service

Nicholas Lehman
Backup Analyst
Public Finance Group
Moody's Investors Service

Kevork Khrimian
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S
INVESTORS SERVICE

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred

stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.