

Summary:

Lewisboro Town, New York; General Obligation

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Lewisboro Twn GO		
<i>Long Term Rating</i>	AA/Negative	Downgraded, Removed from CreditWatch
Lewisboro Twn GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Negative	Downgraded, Removed from CreditWatch
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services lowered its long-term rating and underlying rating (SPUR) on the town of Lewisboro, N.Y.'s general obligation (GO) debt one notch to 'AA' from 'AA+' and removed the rating from CreditWatch with negative implications, where it had been placed on Nov. 18, 2009, reflecting the town's consistently negative financial operations, resulting in a zero reserve position and very limited financial flexibility. The outlook is negative.

The town does not have final audited results for fiscal 2009, but it is still projecting to close the year with zero fund balance on hand. The adopted fiscal 2010 budget totaled \$7.1 million, a 5.6% decline from fiscal 2009. Officials balanced the budget without using one-time revenues. The town board adopted a 25% property tax increase and included more conservative and realistic revenue assumptions in the 2010 budget. Assumptions for mortgage taxes declined by 42% from fiscal 2009 budget levels. Officials also revised county sales tax assumptions downward by 13%. In addition, the budget included six furlough days, which officials can increase if needed.

In early 2010, the town finalized a property sale for approximately \$962,000, which it did not include in the 2010 budget. The town, however, originally purchased the property with bond proceeds in 2005; therefore, the use of sale proceeds will be restricted.

While the budget is structurally balanced and more conservative compared with previous-year budgets, the town's lack of operating reserves limits its financial flexibility; and its margin for error is thin. In addition, the town is still in contract negotiations with all of its labor units, which could potentially cause additional operating pressure.

The 'AA' rating continues to reflect, what we view as, a strong economic base with extremely strong wealth and income indicators.

The town's debt burden remains low when considered as a percent of its sizable property tax base.

(For additional information on the town, please see the report published Nov. 18, 2009, on RatingsDirect.)

Outlook

The negative outlook reflects Standard & Poor's view of the town's three-year trend of negative financial results, which have consistently underperformed expectations and resulted in zero operating reserves. While officials balanced the fiscal 2010 budget without using one-time expenditures and included a substantial property tax increase and more realistic revenue assumptions, the town's financial flexibility remains very limited. Standard & Poor's will continue to monitor the town's financial performance to see if it can maintain at least balanced operations throughout the fiscal year.

Nicole Ridberg contributed to this report.

Related Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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