

# RatingsDirect®

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## Summary:

# Lewisboro, New York; General Obligation

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Credit Profile		
US\$5.001 mil pub imp (serial) bnds, 2024 due 04/01/2043		
Long Term Rating	AA+/Stable	New
Lewisboro Twn GO		
Long Term Rating	AA+/Stable	Upgraded

Credit Highlights

- S&P Global Ratings has raised its long-term rating to 'AA+' from 'AA' on Lewisboro, N.Y.'s general obligation (GO) bonds.
- At the same time, S&P Global Rating assigned its 'AA+' rating to the town's series 2024 \$5.6 million public improvement bonds.
- The upgrade reflects the recent trend of strong budgetary performance, resulting in a significant improvement in the town's reserve position growing to \$5 million or 56.6% of operating expenses, while maintaining positive operations.
- The outlook is stable.

Security

The town's faith and credit pledge secure the bonds. Proceeds from the 2024 issuance will be used to fund various capital projects throughout the town.

Credit overview

The upgrade further reflects that the town's conservative budgeting practices, coupled with increased revenue over the past few years, support strong operations and a very strong reserve and liquidity level. In addition, its tax affluent tax base remains a strong, stabilizing factor for the rating.

The rating also reflects our view of the town's:

- Favorable location in Westchester County, with direct access to the New York City metropolitan statistical area (MSA);
- Conservative budgeting, with quarterly reporting and a fund balance and a strong institutional framework;
- Consistently positive performance with reserves, liquidity at very strong levels; and
- Affordable debt levels, though with elevated pension and other postemployment benefit (OPEB) costs.

Environmental, social, and governance

We have analyzed environmental, social, and governance factors relative to Lewisboro's economy, budgetary outcomes, management, and debt and long-term liability profile, and view them as neutral in our credit rating analysis. We consider the state's governance regarding the lack of a mechanism to prefund OPEBs to be a weakness for New

York local governments, which could create long-term budget volatility as contributions change.

## Outlook

The stable outlook reflects our expectation that the town will maintain balanced-to-positive operations, supported by its conservative budgeting practices. Additional stability is due to its affluent and wealthy tax base and its participation in the New York City MSA.

### Downside scenario

If the town is unable to maintain balanced operations or if its reserve position were to fall below levels we consider strong, we could revise our opinion of the rating.

### Upside scenario

If the town maintains its current economic metrics, while also continuing its trend of positive results and very strong reserve levels, coupled with improvement in our view of its financial management assessment, we could raise the rating.

## Credit Opinion

### **Mature, affluent community, with future residential and commercial developments likely**

Lewisboro is a wealthy, mainly residential community, about 30 miles north of New York City on the Connecticut border. Residents have access to employment opportunities in New York City; Westchester County; and nearby Fairfield County, Conn. State Route 123 provides access to Interstate 95.

The town has drawn up a new comprehensive plan to help manage future development. Additionally, it is looking at expanding infrastructure, which will support that development.

### **Conservative budgeting, formal fund balance policy underpin management practices**

Management uses a zero-based budgeting approach while also looking at outside sources for certain line items. The town board receives budget-to-actual reports quarterly to ensure it can address any budgetary deviations. The town does not currently perform formal long-term capital or long-term financial planning, but debt schedules and equipment purchases are considered when budgeting. The debt policy addresses the circumstances in which it can issue refunding debt, while the town has a formal investment policy, and its cash position is reported quarterly. Lewisboro has a two fund balance policy, calling for a 5% unreserve emergency fund in addition to a 20% unreserve (excluding the emergency designation).

### **Strong performance has supported significant reserve growth in recent years**

Sales and mortgage taxes continue to outperform budgeted amounts, while expenditures are continuously monitored. Westchester County increased its sales tax percentage in the latter half of 2019, which has bolstered revenue. Overall, expenditures have remained within budget as department heads do not elect to fully exhaust their budgets. Property taxes are 34% of revenue, followed by sales taxes at 33%.

The fiscal 2023 budget was \$14.05 million. Based on preliminary expectations, balanced-to-positive results are

anticipated. The town was able to absorb increases in its salary and other line items as it settled outstanding contracts without a material effect on its financial performance. The fiscal 2024 budget did include a tax increase to account for a paving project, while also seeing increases in salaries, benefits and other rising costs. In addition to raising taxes, management is looking at changing fees for certain programs, which will help offset growing costs.

Based on current projections for fiscal 2023, the town expects to add to reserves; however, we do not expect it will materially draw on these reserves as it looks to maintain, if not grow its reserve position beyond its policy limits. Liquidity has continued to strengthen in recent fiscal years. We expect Lewisboro will likely continue to post operating surpluses bolstered by an increasing tax base and property tax levy, coupled with ongoing sales-and-mortgage tax growth while management monitors expenses, resulting in improved reserve levels over the outlook period.

### Manageable debt levels

After this issuance, Lewisboro will have \$11.5 million in outstanding debt. It does not have significant medium-term debt plans. The town is looking to leverage grant funding to fund ongoing capital needs.

### Pension and OPEB highlights

- In our view, Lewisboro's large pension and OPEB obligation is a credit weakness. The OPEB liability equaled \$21.2 million as of Dec. 31, 2022, which it pays on a pay-as-you-go basis; this could create budgetary pressure from higher contributions resulting from claims volatility and increasing medical cost trends. New York State prohibits the accumulation of assets against the OPEB liability, increasing financial risk because Lewisboro cannot plan for higher contributions with amounts set aside in a dedicated fund.
- Lewisboro has elected to use the New York State contribution-stabilization program, a state-supported, pension-smoothing program that allows local governments to defer a portion of expenses. The deferral amount outstanding through pay-as-you-go financing at Dec. 31, 2022, was \$251,046; the town must pay this amount in full to the plan by 2027.

The town participates in:

- New York State Employees' Retirement System, which is 103% funded, with a proportionate share of the net pension asset equal to about \$707,421; and
- New York State Police & Fire Retirement System, which is 95.09% funded, with a share of the net pension liability equal to \$56,347.

Lewisboro, NY -- Key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	235			
Market value per capita (\$)	318,905			
Population		13,233	12,622	12,578
County unemployment rate(%)		3.1		
Market value (\$000)	4,220,074	3,034,358		
Ten largest taxpayers % of taxable value	3.9			

Lewisboro, NY -- Key credit metrics (cont.)				
	Most recent	Historical information		
		2022	2021	2020
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		15.9	26.3	9.0
Total governmental fund result % of expenditures		3.7	13.0	3.3
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		56.6	46.0	21.5
Total available reserves (\$000)		5,636	4,047	1,726
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		63	57	34
Total government cash % of governmental fund debt service		884	594	316
<b>Adequate management</b>				
Financial Management Assessment	Standard			
<b>Weak debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		7.1	9.6	10.8
Net direct debt % of governmental fund revenue	70			
Overall net debt % of market value	0.8			
Direct debt 10-year amortization (%)	62			
Required pension contribution % of governmental fund expenditures	4.1			
OPEB actual contribution % of governmental fund expenditures	4.5			
<b>Strong institutional framework</b>				
EBI--Effective buying income. OPEB--Other postemployment benefits.				

## Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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