

Summary:

Vestal, New York; General Obligation

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Summary:

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| Credit Profile | | |
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| US\$.954 mil pub imp (serial) bnds, 2011 ser 2011 A dtd 05/15/2011 due 05/15/2021 | | |
| <i>Long Term Rating</i> | AA-/Stable | New |
| US\$.6 mil pub imp (serial) bnds, 2011 (Federally Taxable) ser 2011 B dtd 05/15/2011 due 05/15/2031 | | |
| <i>Long Term Rating</i> | AA-/Stable | New |
| Vestal GO | | |
| <i>Unenhanced Rating</i> | AA-(SPUR)/Stable | Affirmed |
| Many issues are enhanced by bond insurance. | | |

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' long-term ratings, and stable outlook, to Vestal, N.Y.'s series 2011A and 2011B (federally taxable) public improvement general obligation (GO) bonds and affirmed its 'AA-' underlying rating (SPUR), with a stable outlook, on the town's existing GO debt.

The rating reflects our opinion of the town's:

- Diverse employment base with access to the Binghamton, N.Y. metropolitan area, coupled with, what we consider, strong income levels;
- Very strong overall financial position, including strong reserves; and
- Moderate debt burden with limited additional capital needs.

We believe the recent and projected drawdowns in the town's unreserved general fund balance offset these strengths.

The bonds are a GO of the town, secured by its full-faith-and-credit pledge. All taxable real property within the town is subject to the levy of ad valorem taxes to pay debt service without limitation as to rate or amount. The town plans to issue the bonds to refund previously issued bond anticipation notes (BANs).

Vestal, with a population estimate of 27,854, is in Broome County in upstate New York, bordering Binghamton. The primarily residential town has some commercial and industrial activities. The local economy is, what we consider, diverse with Binghamton University as the town's leading employer. Residents have access to other employment opportunities in the Binghamton metropolitan area, which has been, in our opinion, stable. County unemployment as of February 2011 was 9.1%, slightly above the state's 8.0% rate and the nation's 8.8% rate. Income levels are, in our opinion, strong with median household effective buying income at 112% of the nation's average. Vestal's property tax base is, in our view, very diverse with the 10 leading taxpayers accounting for 11.6% of total assessed value.

Historically, the town has maintained, what we view as, a good financial position. Over the past few fiscal years, however, the town has seen drawdowns in reserves due primarily to declines in economically sensitive revenues. Audited fiscal 2009 results show an operating deficit, net of transfers, of about \$571,000. Despite the drawdown, the town still managed to end fiscal 2009 with a total general fund balance of \$4.5 million, or, in our opinion, a

very strong 55% of operating expenditures. The \$2 million unreserved portion accounted for, what we view as, a strong 24.8% of expenditures. According to management, fiscal 2010 unaudited results were similar to fiscal 2009 results; and management expects to draw the fund balance down by another \$550,000 to a total of \$1.4 million, or, in our view, a strong 17.3% of expenditures. In response to the drawdowns, management indicates that the board approved expenditure reductions and that town officials have balanced the 2011 budget with a general fund appropriation of \$300,000. Management indicates the unreserved general fund will likely remain above \$1.1 million at fiscal year-end 2011, a level we still consider strong at 13.8% of expenditures.

Standard & Poor's considers the town's management practices "standard" under its Financial Management Assessment (FMA) methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

We view the town's debt levels as moderate with overall net debt at roughly \$2,144 per capita, or 3.2% of market value. The debt service carrying charge remains, in our opinion, a low 5.9% of expenditures. Amortization of existing debt is, what we consider, rapid with officials planning to retire nearly all principal over 10 years. Over the next five years, management estimates additional capital needs of \$3 million for road improvements and \$1 million for infrastructure.

Outlook

The stable outlook reflects Standard & Poor's opinion of, what it considers, the town's diverse and stable economic base and historically sound financial position. We believe management will likely continue to make expenditure reductions as needed to maintain a balanced budget and at least, what we consider, good reserves. The town's failure to maintain at least good reserves could result in our lowering the rating. In addition, with limited capital pressures, we believe the town will likely continue to maintain, what we view as, a moderate debt burden.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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