

ISSUER COMMENT

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RATING

General Obligation (or GO Related)¹

Aa1 No Outlook

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Village of East Hills, NY

Annual Comment on East Hills

Issuer Profile

The Village of East Hills is located on western Long Island in Nassau County, New York, approximately 20 miles northeast of New York City. Nassau County has a population of 1,358,627 and a population density of 4,772 people per square mile. The county's per capita personal income is \$73,618 (1st quartile) and the August 2016 unemployment rate was 3.8% (1st quartile).² The largest industry sectors that drive the local economy are health services, retail trade, and finance/insurance.

Credit Overview

East Hills' credit position is excellent, and its Aa1 rating exceeds the US city median of Aa3. The rating reflects a very strong financial position, and a superior socioeconomic profile with a solid tax base. It also incorporates an exceptionally light debt burden with an affordable pension liability.

Finances: The village has a robust financial position in comparison to the assigned rating of Aa1. East Hills' available fund balance as a percent of operating revenues (65.2%) far exceeds the US median. Also, the net cash balance as a percent of revenues (68.7%) is far superior to other Moody's-rated cities nationwide.

Economy and Tax Base: The village has a very healthy economy and tax base overall, which are aligned with its Aa1 rating. The median family income equates to a robust 295.1% of the US level. Moreover, the full value per capita (\$273,759) is much stronger than the US median. Lastly, the total full value (\$2 billion) is consistent with the US median.

Debt and Pensions: The debt and pension liabilities of the village are manageable and are in line with the Aa1 rating assigned. East Hills' net direct debt to full value (0.7%) is under other Moody's-rated cities nationwide. Furthermore, the Moody's-adjusted net pension liability to operating revenues (0.73x) is favorably below the US median.

Management and Governance: Surplus operating margins demonstrate strong financial management. Advantageously, on average, East Hills' operations were positive even though the tax base values generally fell.

New York cities have an institutional framework score ³ of "A," or moderate. Revenues are highly predictable, as property taxes are usually the largest revenue source, followed by, sales and mortgage taxes, as well as building permit revenue. Cities have a moderate revenue raising ability, as they can increase property tax revenues above the tax cap with a 60% vote of the local legislative body. Expenditures vary across the state but primarily consist of personnel costs, which are moderately predictable. Expenditure reduction ability is low given

the presence of strong collective bargaining groups and the Triborough Amendment which enhances collective bargaining powers.

Sector Trends - New York Cities

New York municipalities will benefit from the state's improving economy, although economic growth varies across the different regions. Municipal governments will have difficulty tapping into underlying economic growth due to the property tax cap, which is .68% in 2017 before exemptions and rollovers are added, though they may override the cap with a three fifths vote of the governing body. Although sales tax growth may remain sluggish, it is typically a small percentage of municipal revenues. Overall, economically sensitive revenues remain below pre-recession peak levels.

Exhibit 1

Key Indicators^{4 5}

East Hills, NY

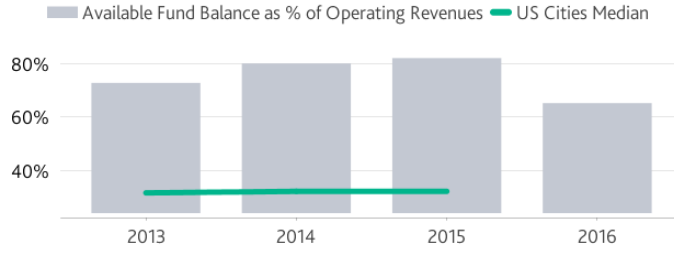
	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base						
Total Full Value	\$2,188M	\$2,002M	\$1,923M	\$1,959M	\$1,722M	Weakened
Full Value Per Capita	\$313,312	\$284,953	\$268,806	\$273,759	\$85,195	Weakened
Median Family Income (% of US Median)	306.2%	295.1%	295.1%	295.1%	115.2%	Weakened
Finances						
Available Fund Balance as % of Operating Revenues	72.8%	80.1%	82.1%	65.2%	32.1%	Weakened
Net Cash Balance as % of Operating Revenues	69.9%	74.2%	82.8%	68.7%	34.4%	Stable
Debt / Pensions						
Net Direct Debt / Full Value	0.78%	0.80%	0.77%	0.70%	1.2%	Stable
Net Direct Debt / Operating Revenues	1.70x	1.57x	1.44x	1.30x	0.94x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value						
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.20%	0.28%	0.34%	0.40%	1.7%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues						
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.42x	0.54x	0.64x	0.73x	1.35x	Stable

Source: Moody's

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Exhibit 2

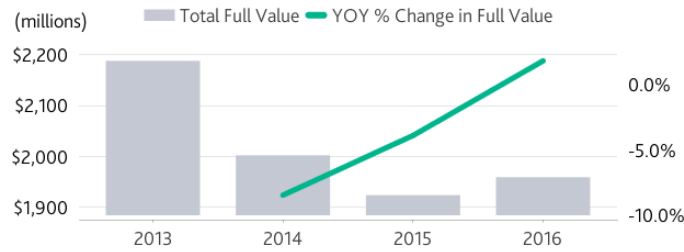
Available fund balance as a percent of operating revenues decreased from 2013 to 2016
Available Fund Balance as a Percent of Operating Revenues



Source: Issuer financial statements; Moody's

Exhibit 3

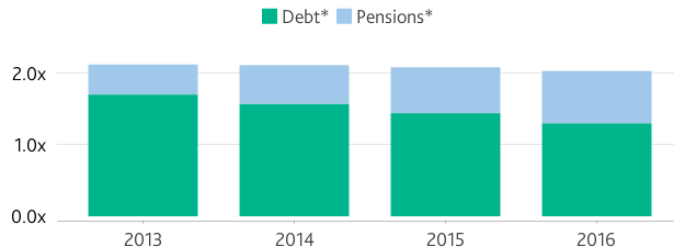
Full value of the property tax base decreased between 2013 and 2016
Total Full Value



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

Exhibit 4

Moody's-adjusted net pension liability to operating revenues increased from 2013 to 2016
Net Direct Debt and Adjusted Net Pension Liability / Operating Revenues



*Debt is represented as Net Direct Debt / Operating Revenues. Net Direct Debt is defined as gross debt minus self supporting debt. Pensions are represented as ANPL / Operating Revenues. ANPL is defined as the average of Moody's-adjusted Net Pension Liability in each of the past three years.
 Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Endnotes

- 1 The rating referenced in this report is the government's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally a security backed by the full faith and credit pledge and total taxing power of the local government. See [Local Government GO Pledges Vary Across States](#), for more details. GO-related ratings include issuer ratings, which are GO-equivalent ratings for governments that do not issue GO debt. GO-related ratings also include ratings on other securities that are notched or otherwise related to what the government's GO rating would be, such as 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 guarantee or enhancement programs or bond insurance.
- 2 The per capita personal income data and unemployment data for all counties in the US census are allocated to 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. The first quartile consists of the top 25% of observations in the dataset, the second quartile consists of the next 25%, and so on. The median per capita personal income for US counties is \$46,049 for 2014. The median unemployment rate for US counties is 4.9% for August 2016.
- 3 The institutional framework score measures 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 \(January 2014\)](#) for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). The population figure used in the Full Value Per Capita ratio is the most recently available, most often sourced from either the US Census or the American Community Survey. Similarly, the Median Family Income data reported as of 2012 and later is always the most recently available data and is sourced from the American Community Survey. The Median Family Income data prior to 2012 is sourced from the 2010 US Census. The Full Value figure used in the Net Direct Debt and Moody's-adjusted Net Pension Liability (3-year average ANPL) ratios is matched to the same year as audited financial data, or if not available, lags by one or two years. Certain state-specific rules also apply to Full Value. For example, in California and Washington, assessed value is the best available proxy for Full Value. Certain state specific rules also apply to individual data points and ratios. Moody's makes adjustments to New Jersey local governments' reported financial statements to make it more comparable to GAAP. Additionally, Moody's ANPLs reflect analyst adjustments, if any, for pension contribution support from non-operating funds and self-supporting enterprises. Many local government pension liabilities are associated with its participation in the statewide multiple-employer cost-sharing plans. 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 – Growing Tax Bases and Stable Fund Balances Support Sector's Stability \(March 2016\)](#). The medians conform to our US Local Government General Obligation Debt rating methodology published in January 2014. As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population. We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2014. However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey. Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation. Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians. Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category. Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

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