

February 22, 2024

Village of Saltaire
P.O. Box 5551
Bayshore, NY 11706
Attention: Mario Posillico, Village Administrator

Re: *US\$2,750,000 Village of Saltaire, Suffolk County, New York, Public Improvement Serial Bonds, Series 2024, dated: March 13, 2024, due: March 01, 2044*

Dear Mario Posillico

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AAA". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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Please send hard copies to:

S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

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cc: *Noah Nadelson, Chief Executive Officer*
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Summary:

Saltaire Village, New York; General Obligation

Primary Credit Analyst:

Tyler Fitman, Boston (1) 617-530-8021; tyler.fitman@spglobal.com

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Saltaire Village, New York; General Obligation

Credit Profile

US\$2.75 mil pub imp serial bnds ser 2024 dtd 03/13/2024 due 03/01/2044

Long Term Rating AAA/Stable New

Saltaire Vill GO

Long Term Rating AAA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to the Village of Saltaire, N.Y.'s \$2.75 million series 2024 general obligation (GO) public improvement bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the village's debt outstanding.
- The outlook is stable.

Security

A pledge of the village's faith and credit secures the bonds.

Officials plan to use the bond proceeds to fund the costs of construction for various capital projects including park improvements, building improvements, and a new fire vehicle.

Credit overview

The rating reflects our opinion of the village's very strong property tax base, which has helped it sustain a history of very strong budgetary flexibility. The village, with an estimated year-round population of 25, is in Suffolk County on Fire Island in the New York-Newark-Jersey City metropolitan statistical area (MSA), which we consider broad and diverse. It serves primarily as a summer destination with a peak summer population of more than 2,000. Saltaire consists mainly of cottages and second homes along the Atlantic Ocean.

The village has produced deficits in two of the last three fiscal years, largely due to planned and unplanned capital expenditures. Its available fund balance remains very strong at about \$2.6 million, but has declined from a high of about \$3.4 million in 2017. Saltaire attained that amount through a land sale and has drawn reserves down primarily through planned appropriations. The current target calls for reserves to total 40% of expenditures, and the board is considering adoption of a new fund balance policy. We expect reserves will likely remain at levels we consider very strong.

The \$4.3 million fiscal 2024 budget represents an 8% increase over the prior year's budget. Aside from expenditures associated with well repairs which the village projects will result in a deficit, most items are in line with the budget to date. We believe future budgets will benefit from stability and wealth in the tax base and limited demand for additional services, and that the village's biggest challenge will be to remain competitive in recruiting and retaining necessary

staff due to its location.

After this issuance, the village will have roughly \$9 million of debt outstanding. It does not currently have additional debt plans and expects most capital needs can be addressed with grant and other funding. Pension expenses remain manageable and since it is unable to prefund the other postemployment benefit (OPEB) liability, management funds it on a pay-as-you-go basis. While not currently a budgetary pressure, claims volatility and medical cost and demographic trends might lead to escalating costs that could create budgetary pressure.

The rating further reflects our view of the village's:

- Very strong tax base primarily made up of second homes with a history of reinvestment and improvement that has supported consistent growth in value;
- Good financial-management policies and practices under our Financial Management Assessment (FMA) methodology, with historical look-back when budgeting, consistent monthly reporting on budget-to-actual results, an annually updated capital improvement plan, annually updated revenue and expenditure projections, and an adopted investment management policy--and a strong Institutional Framework score;
- Sustained flexibility which we expect to continue despite recent uses of reserve funds, supported by consistent performance; and
- Limited long-term debt with minimal pressure from long-term fixed costs--Saltaire participates in the well-funded New York State Employees' Retirement System, which is 91% funded, with a net pension asset of \$727,320 as well as an OPEB liability of \$2.7 million.

Environmental, social, and governance

Saltaire's physical risk is elevated based of its location on Fire Island, a barrier island south of Long Island. It has recovered from damage sustained during Superstorm Sandy in 2012. Recovery in the village was supported by federal funding as well as investment in properties by the Village and private property owners. The village as well as private homeowners have invested in the elevation of many buildings. Additionally, it has pursued grant funds to improve the boardwalk, docks, and ferry terminal and conduct beach replenishment to improve resiliency in the face of future weather events.

We have analyzed social and governance factors relative to Saltaire's economy, budgetary outcomes, management, and debt and long-term liability profile; we view both as generally neutral within our credit-rating analysis. We consider the state's governance regarding the lack of a mechanism to prefund OPEBs 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 Saltaire will maintain structural balance while preserving its very strong reserves. The underlying wealth and income and continued investment in improvement and resiliency of public and private property add stability to the rating.

Downside scenario

We could lower the rating if budgetary performance were to deteriorate significantly, leading to a substantial decline in reserves.

Rating above the sovereign

Saltaire's GO bonds are eligible to be rated above the sovereign because we think the village can maintain better credit characteristics than the nation in a stress scenario. It has a predominately locally derived revenue source with a majority of governmental activity revenue from property taxes with independent taxing authority and treasury management from the federal government. (For further information, see our criteria, titled "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect.)

Saltaire, New York--key credit metrics				
	Most recent	Historical information		
		2023	2022	2021
Very strong economy				
Projected per capita EBI % of U.S.	111			
Market value per capita (\$)	19,688,385			
Population			26	21
County unemployment rate(%)			3.1	
Market value (\$000)	511,898	511,898	493,924	
Ten largest taxpayers % of taxable value	8.4			
Adequate budgetary performance				
Operating fund result % of expenditures		-6.7	7.1	-8.2
Total governmental fund result % of expenditures		16.6	5.4	-1.9
Very strong budgetary flexibility				
Available reserves % of operating expenditures		60.4	70.7	70.7
Total available reserves (\$000)		2,627	2,849	2,687
Very strong liquidity				
Total government cash % of governmental fund expenditures		69	39	32
Total government cash % of governmental fund debt service		463	234	184
Strong management				
Financial Management Assessment	Good			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		15.0	16.5	17.3
Net direct debt % of governmental fund revenue	177			
Overall net debt % of market value	2.4			
Direct debt 10-year amortization (%)	58			
Required pension contribution % of governmental fund expenditures		4.0		
OPEB actual contribution % of governmental fund expenditures		0.8		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Summary: Saltaire Village, New York; General Obligation

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