

Hempstead Village, New York

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Credit Profile

US\$10.517 mil GO serial bonds dtd 07/15/2010 due 07/15/2030

Long Term Rating	A/Stable	New
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Hempstead Vill GO (AGM)

Unenhanced Rating	A(SPUR)/Stable	Affirmed
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Hempstead Vill GO (ASSURED GTY)

Unenhanced Rating	A(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Rationale

The 'A' long-term rating assigned to Hempstead Village, N.Y.'s series 2010A general obligation (GO) various purposes serial bonds and the 'A' underlying rating (SPUR) on the village's previously rated GO debt reflect Standard & Poor's Ratings Services' opinion of the village's:

- Strong regional economy with easy access to, and participation in, the deep, diverse, and affluent Nassau-Suffolk and New York City metropolitan statistical areas (MSAs);
- Very strong reserves due to the implementation of a financial recovery plan that included the issuance of deficit bonds in fiscal 2007;
- Improving tax collections, bolstered by annual tax lien sales; and
- Moderate overall net debt burden, coupled with manageable additional capital needs.

Offsetting factors include the village's:

- Continued decreases in assessed valuation (AV) due to tax certiorari petitions; and
- Estimated general fund drawdown in fiscal 2010 and the appropriation of fund balance in the fiscal 2011 budget.

The village's full faith and credit pledge secures the bonds. Officials will use bond proceeds to fund tax certiorari payments as well as various municipal projects and purposes.

**RatingsDirect
Publication Date**

July 19, 2010

Hempstead Village, with an estimated 2009 population of 54,594, encompasses approximately 3.8 square miles in the town of Hempstead, N.Y. (AAA/Stable) in Nassau County's (A+/Stable) geographic center on Long Island. Located approximately 22 miles from the center of Manhattan, residents maintain access to broad employment opportunities throughout the Nassau-Suffolk and New York City MSAs via road and rail service. The village maintains a mixed-use downtown area that consists of retail, service, office, and governmental uses as well as higher-density and single-family residences. Over the past several years, the village's local economy and central business district have faced economic challenges with the closures of major retailers and the nearby Mitchell Air Field. Management is currently working on the implementation of a comprehensive plan to spur new downtown development and redevelopment. Local employment is somewhat stabilized by the presence of Hofstra University (4,000 employees) as well as employment provided by the Hempstead town (2,000), village (400), and school district (585). Village unemployment, which historically tracks above county and state rates, averaged 9.4% in 2009, higher than both state (8.4%) and national (9.3%) rates.

Village income levels are good, with median household income at 99% of the national level. The full valuation of real property in the district totals \$3.7 billion, or \$68,000 per capita, which we consider strong. However, ongoing difficulties with tax certiorari proceedings have resulted in annual decreases in the village's AV. For fiscal 2010, the village's AV totaled \$82.1 million, a 6% decrease since fiscal 2006 AV. In our opinion, tax certiorari proceedings will continue to pressure the village's tax base valuation in at least the near-to-intermediate term. Such difficulties are somewhat offset by diversity in the village's tax base; the 10 leading taxpayers account for just 8.2% of total 2010 AV.

The village's financial profile has improved over the past three audited fiscal years (2007-2009) due, in large part, to the implementation of a financial recovery plan that began in the fiscal year-ended May 31, 2007. In fiscal 2007, the village issued deficit bonds to restore general fund solvency while concurrently raising property taxes and user fees to increase revenue and implementing budget and hiring freezes to hold the line on expenditure growth. The fiscal 2007-2009 budgets included property tax increases of 10.3%, 9.2%, and 2.8%, respectively. Despite the increases, tax collections have improved in recent years; the 2010 collection rate of 97.8% is 3.4 percentage points higher than the rate in 2006. The village also implemented a proactive tax lien sale process in fiscal 2007, which has helped improve collections. In fiscals 2008, 2009, and 2010, the village's annual tax lien sale garnered \$2.45 million, \$2.07 million, and \$1.75 million, respectively.

Fiscal 2009 closed with a \$5.5 million general fund surplus, bringing the unreserved fund balance to \$8.8 million, or 14.6% of general fund expenditures and transfers, which we consider strong. In fiscal 2009, management also established a tax stabilization and contingency reserve, held within the general fund, totaling \$2.6 million largely funded from a \$1.2 million tax lien settlement.

The fiscal 2010 budget did not include a property tax millage rate increase and appropriated \$1.66 million of reserves to balance the budget. Management estimates that fiscal 2010 closed with a roughly \$1 million draw on the general fund balance. The fiscal 2011 budget appropriates \$4.5 million in fund balance. The tax levy increased 3.8% compared with the 2010 tax levy and accounts for 73% of budgeted revenues. State aid accounts for a relatively minimal 2.2% of budgeted revenues. Total budgeted expenditures increased 7.1%, but are conservatively budgeted; public safety is the village's largest expenditure, accounting for 35% of total budgeted expenditures. The village does not anticipate the need to issue cash flow notes, which have not been issued since 2006.

Standard & Poor's considers Hempstead Village's financial management practices "good" under its Financial Management Assessment methodology, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Including overlapping municipal and county debt, we consider the village's overall debt burden moderate at \$2,502 per capita, or 3.7% of market value. Debt service carrying charges accounted for a moderate 8.7% of 2009 governmental expenditures. Amortization is slightly above average, with officials planning to retire 62% of new and existing principal through 2020 and all principal through 2030.

Outlook

The stable outlook reflects Standard & Poor's expectation that the recently implemented financial recovery measures will control spending and allow the village to maintain structurally balanced year-end results and at least adequate fund balance levels. Should the village continue to maintain structural imbalance, leading to sustained general fund drawdowns, the rating could be lowered. Conversely, should the village maintain good financial results without reliance on one-time revenue sources, the rating could improve.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006