

# RatingsDirect®

---

## Summary:

# Southampton Town, New York; General Obligation

### **Primary Credit Analyst:**

Steve C Tencer, CPA, New York (1) 212-438-2104; [steve.tencer@standardandpoors.com](mailto:steve.tencer@standardandpoors.com)

### **Secondary Contact:**

Lindsay Wilhelm, New York (1) 212-438-2301; [lindsay.wilhelm@standardandpoors.com](mailto:lindsay.wilhelm@standardandpoors.com)

## Table Of Contents

---

Rationale

Outlook

Related Criteria And Research

## Summary:

# Southampton Town, New York; General Obligation

### Credit Profile

US\$4.35 mil var pub imp bnds ser 2014

*Long Term Rating* AAA/Stable New

Southampton Twn GO

*Long Term Rating* AAA/Stable Upgraded

#### **Southampton GO**

*Unenhanced Rating* AAA(SPUR)/Stable Upgraded

#### **Southampton Twn GO**

*Unenhanced Rating* AAA(SPUR)/Stable Upgraded

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) on Southampton Town, N.Y.'s general obligation (GO) debt one notch to 'AAA' from 'AA+', based on Standard & Poor's local GO criteria released Sept. 12, 2013. At the same time, Standard & Poor's assigned its 'AAA' rating to Southampton's series 2014 public improvement bonds. The outlook is stable.

The raised ratings reflect our view of the town's:

- Very strong economy, which benefits from participation in the broad and diverse New York-New Jersey-Northeast Pennsylvania metropolitan statistical area (MSA);
- Strong management;
- Very strong budgetary flexibility;
- Very strong liquidity;
- Strong budgetary performance;
- Strong debt and contingent liabilities profile; and
- Strong institutional framework.

### **Very strong economy**

Located in Suffolk County, N.Y., Southampton's local economy is, in our opinion, very strong, with projected per capita effective buying income and per capita market value at 157% of the national average and roughly \$968,900, respectively. Suffolk County's unemployment rates for full-year 2013 and as of April 2014 were 6.4% and 4.7%, respectively, according to the U.S. Bureau of Labor Statistics. Southampton's unemployment rates compare unfavorably to the county's for those periods, averaging 7.9% for 2013, and 5.3% as of April 2014. Residents benefit, in our opinion, from the town's participation in the aforementioned MSA, which we view as a credit strength.

### **Strong management**

The town's management conditions are, in our view, strong, with good financial practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or regularly monitor all of them. Strengths of the assessment, in our opinion, include strong oversight of budget-to-actual results during the year, a long-term capital plan, and strong investment management policies.

### **Very strong budgetary flexibility**

With fiscal 2013 available reserves at just over 15% of operating expenditures, we believe Southampton's budgetary flexibility is very strong. In terms of fiscal 2014 financial performance to date, we are not anticipating significant fund balance changes.

### **Very strong liquidity**

We believe very strong liquidity supports Southampton's finances, with total government available cash at 20% of total governmental fund expenditures and 1.9x debt service coverage. Based on past debt issuance, we believe the issuer has strong access to capital markets to provide for liquidity needs, if necessary.

### **Strong budgetary performance**

The town's budgetary performance is strong overall, in our opinion, with 1.5% and 0.1% general fund and total governmental funds surpluses, respectively, in fiscal 2013. For 2014, the town does not expect materially different performance.

### **Strong debt and contingent liabilities profile**

We view Southampton's debt and contingent liabilities profile as strong. Total governmental fund debt service to total governmental fund expenditures and net direct debt to total governmental funds revenue are 10.6% and 1x, respectively. Positive credit factors, in our view, include rapid amortization, with approximately 89% of debt due to be repaid over 10 years, and 1.4% net-debt-to-market value, which we consider low. Last year, the town made 70% of its annual required pension contribution (ARC). Combined ARC and other post-employment benefit costs accounted for 7% of fiscal 2013 total government expenditures. The town also used a portion of its reserves and paid down roughly \$6 million in pension obligations in fiscal 2013.

### **Strong institutional framework**

We consider the institutional framework score for New York towns to be strong.

## **Outlook**

The stable outlook reflects our opinion of a town that has very strong economic factors that are likely to keep its economic score very high for the foreseeable future. Likewise, Southampton's management is strong, and we therefore do not foresee any managerial changes that would likely have a negative impact on the rating. The town's financial factors are either strong or very strong, and -- at least in the short term -- on an upswing, in our opinion. Although in our view unlikely, sharp and unforeseen financial difficulty that management is unable to respond to in a timely manner, or an aggressive or overly optimistic budgeting approach that leads to a more-than-nominal reserves decline, could pressure the rating.

## **Related Criteria And Research**

### **Related Criteria**

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

### **Related Research**

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: New York Local Governments

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).