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PRESS RELEASE
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Moody's Re-Affirms Southampton Town's Aaa Credit Rating

Moody's, in its investor report dated August 18, 2023, re-affirmed the Town of Southampton's Aaa rating, the highest rating issued by the investment service, and specifically noted particularly the Town's:

- Very large and stable tax base which continues to grow
- Ample reserves and liquidity
- Manageable debt burden
- Strong fiscal management and conservative budgeting

The report follows a presentation to the rating agency by Town Supervisor Jay Schneiderman and Comptroller Dorothy Godlewski on August 8, and marks the eighth consecutive year of his administration's financial achievement. The Aaa rating will afford the Town a very favorable interest rate when it goes to the financial markets tomorrow to fund \$13.5 million in 2023 capital projects.

The Moody's report went on to comment that, "The stable outlook reflects the town's conservative fiscal management practices, which will support continued healthy operating performance and maintenance of a strong financial position."

Supervisor Schneiderman noted, "Moody's continues to recognize the strong fiscal management and conservative budgeting practices of this administration. We have achieved and are maintaining the highest credit rating possible."

"We continue to budget and to forecast revenues conservatively. Moody's report confirms the value of these sound financial practices," added Comptroller Dorothy Godlewski.

Copies of the Moody's report and press release are attached.

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Rating Action: Moody's assigns Aaa to Town of Southampton, NY's GO Bonds

18 Aug 2023

New York, August 18, 2023 – Moody's Investors Service has assigned a Aaa rating to the Town of Southampton, NY' approximately \$13.5 million Public Improvement (Serial) Bonds - 2023. Moody's maintains the town's Aaa issuer and general obligation limited tax (GOLT) ratings. The town will have approximately \$89 million in long-term debt outstanding after the bonds are sold. The outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating reflects the town's affluent and growing economy, strong financial position, and modest leverage. The rating also incorporates the town's exposure to extreme weather events as well as the ongoing efforts by multiple levels of government to address this risk.

We consider the outstanding debt to be GOLT because of limitations under New York State law on property tax levy increases. The lack of distinction between the Aaa GOLT rating and the Aaa issuer rating reflects the town's ability to override the property tax cap and the faith and credit pledge in support of debt service.

RATING OUTLOOK

The stable outlook reflects the town's conservative fiscal management practices, which will support continued healthy operating performance and maintenance of a strong financial position.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Significant decline in reserves or liquidity
- Material tax base contraction

LEGAL SECURITY

Payment of principal and interest on the town's general obligation bonds is backed by the town's faith and credit supported by the town's authority to levy such ad valorem property taxes as may be necessary to pay the bonds, as limited by New York State's legislative cap on property taxes (Chapter 97 (Part A) of the Laws of the State of New York 2011).

USE OF PROCEEDS

The bonds will provide new financing for various capital projects across the town.

PROFILE

The Town encompasses an area of approximately 138 square miles and is located on the south fork of Long Island 70 miles east of Manhattan in Suffolk County (A3 positive). The town's population of approximately 67,000 people

increases significantly throughout the summer as a result of the area's longstanding popularity as a vacation destination.

METHODOLOGY

The principal methodology used in this rating was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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CREDIT OPINION

18 August 2023


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Town of Southampton, NY

Update to credit analysis

Summary

Southampton, NY (Aaa stable) benefits from an exceptionally wealthy homeowner tax base in the Hamptons. Historically known for being a second home destination for wealthy metro New York City residents, the number of full time residents increased during Covid. Despite the large increase in residents in 2021, full value per capita remains over three times the Aaa median. The town also benefits from strong fiscal management, ample reserves and liquidity, and manageable leverage.

Credit strengths

- » Strong local economy
- » Ample reserves and liquidity

Credit challenges

- » High inflation and increasing health care costs
- » Increased number of full time residents

Rating outlook

The stable outlook reflects the town's conservative fiscal management practices, which will support continued healthy operating performance and maintenance of a strong financial position.

Factors that could lead to an upgrade

- » N/A

Factors that could lead to a downgrade

- » Significant decline in reserves or liquidity
- » Material tax base contraction

Key indicators

Exhibit 1

Southampton (Town of) NY

	2019	2020	2021	2022	Aaa Medians
Economy					
Resident income ratio (%)	131.9%	134.3%	137.3%	N/A	173.0%
Full Value (\$000)	\$67,002,258	\$73,357,937	\$74,019,131	\$74,363,915	\$8,668,233
Population	58,094	58,263	67,704	N/A	35,992
Full value per capita (\$)	\$1,153,342	\$1,259,083	\$1,093,276	N/A	\$225,444
Economic growth metric (%)	N/A	-0.5%	-0.6%	N/A	-0.5%
Financial Performance					
Revenue (\$000)	\$163,193	\$203,605	\$254,574	\$238,592	\$101,177
Available fund balance (\$000)	\$31,659	\$36,055	\$46,352	\$56,883	\$58,570
Net unrestricted cash (\$000)	\$37,196	\$50,738	\$57,346	\$61,223	\$82,803
Available fund balance ratio (%)	19.4%	17.7%	18.2%	23.8%	61.7%
Liquidity ratio (%)	22.8%	24.9%	22.5%	25.7%	88.4%
Leverage					
Debt (\$000)	\$82,300	\$90,069	\$90,902	\$92,549	\$71,733
Adjusted net pension liabilities (\$000)	\$167,691	\$218,519	\$161,535	\$141,160	\$120,941
Adjusted net OPEB liabilities (\$000)	\$306,198	\$295,088	\$281,434	\$216,552	\$14,374
Other long-term liabilities (\$000)	\$16,738	\$18,109	\$16,231	\$16,756	\$3,750
Long-term liabilities ratio (%)	351.1%	305.4%	216.1%	195.7%	263.2%
Fixed costs					
Implied debt service (\$000)	\$7,881	\$6,000	\$6,450	\$6,376	\$4,989
Pension tread water contribution (\$000)	\$6,709	\$6,974	\$10,628	N/A	\$3,389
OPEB contributions (\$000)	\$6,003	\$7,314	\$7,258	\$8,811	\$523
Implied cost of other long-term liabilities (\$000)	\$1,235	\$1,220	\$1,297	\$1,138	\$245
Fixed-costs ratio (%)	13.4%	10.6%	10.1%	11.3%	11.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The Economic Growth metric cited above compares the five-year CAGR of real GDP for New York-Newark-Jersey City, NY-NJ-PA to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Southampton (Town of) NY's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

Profile

The town encompasses an area of approximately 138 square miles and is located on the south fork of Long Island 70 miles east of Manhattan in [Suffolk County](#) (A3 positive). The town's population of approximately 67,000 people increases significantly throughout the summer as a result of the area's long standing popularity as a vacation destination.

Detailed credit considerations

The town benefits from its location in the metro New York City region as well as being a traditional second home destination for wealthy metro NYC residents (as evidenced by its extremely high full value per capita). The largely residential local economy benefits from significant increase in population during the summer months. While a large number of second homeowners moved out to their Hampton's homes during Covid, that trend has started to reverse and more people have started to move back to their full-time residences closer to Manhattan. The town further benefits from a sound financial profile with conservative budgeting and a manageable leverage profile.

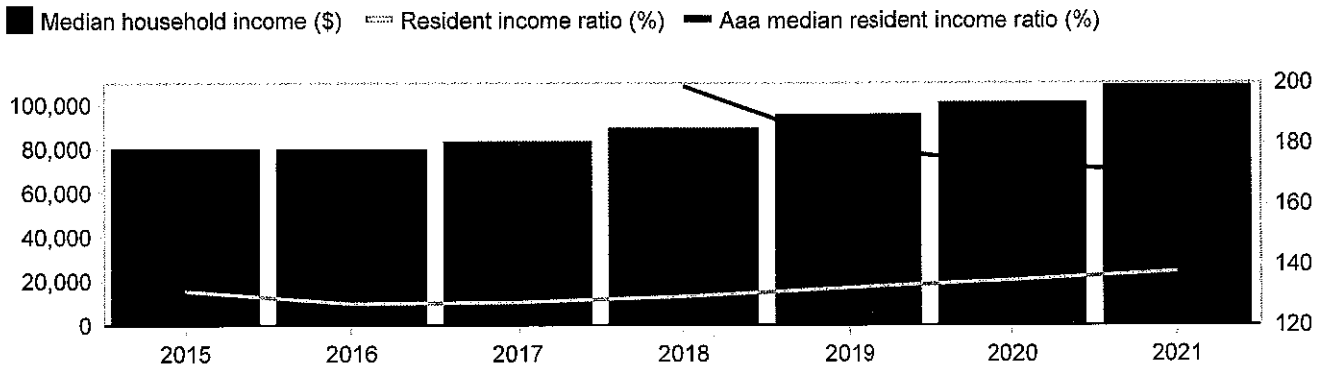
Conservative budgeting and sound fiscal management has led the town to maintaining very stable reserves and liquidity over the past five years. The reserves and liquidity look weaker than the national average largely due to restricted reserves in the Community Preservation Fund. Adjusting for this fund, reserves are consistent with peers at Aaa. Management notes that operations are trending positively for fiscal 2023 (Dec. 31 fiscal year end) and will likely see positive results in most of the Governmental Funds. As management looks forward to 2024 and beyond, inflationary risks and health insurance costs are likely to be the primary challenges the town faces in putting together a balanced budget. Leverage will likely remain manageable given the lack of significant borrowing plans

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the Issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

and a continued effort to working with the various collective bargaining groups to minimize the town's exposure to OPEB. The town continues to work with state and federal officials to reduce it's exposure to climate risks.

Economy

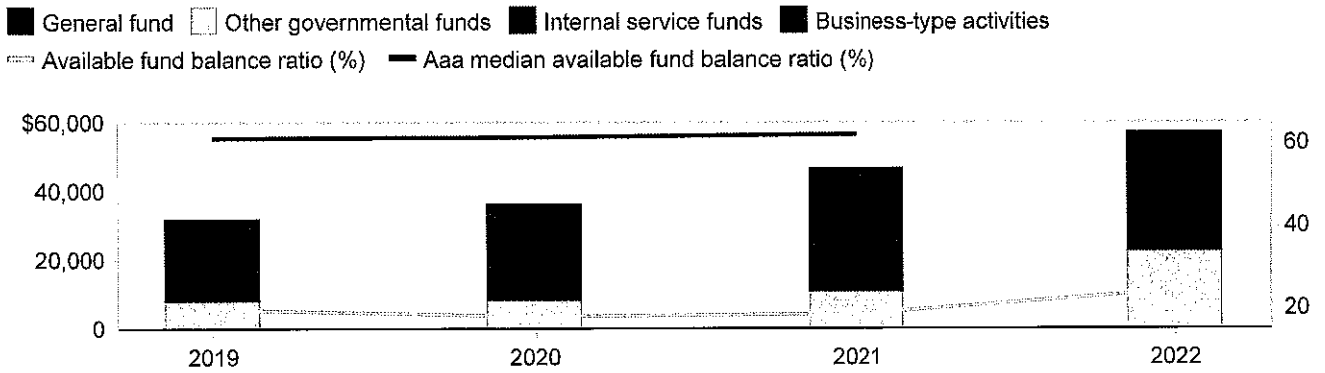
Exhibit 2
Resident Income



Source: Moody's Investors Service

Financial operations

Exhibit 3
Fund Balance

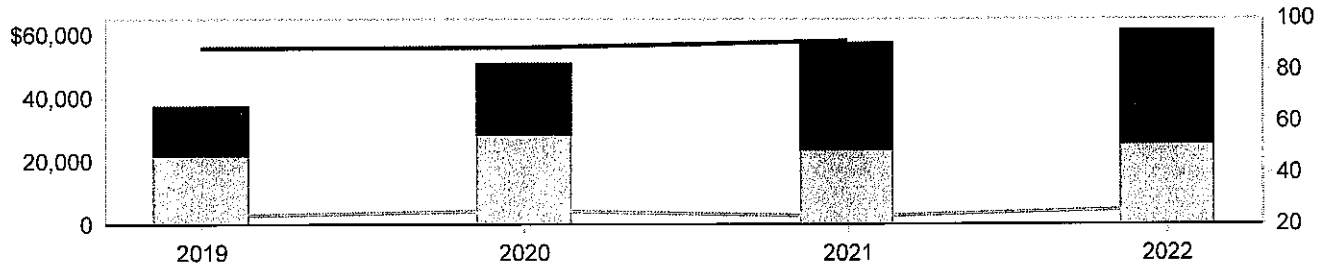


Source: Moody's Investors Service

Liquidity

Exhibit 4
Cash

General fund
 Other governmental funds
 Internal service funds
 Business-type activities
 Liquidity ratio (%)
 Aaa median liquidity ratio (%)

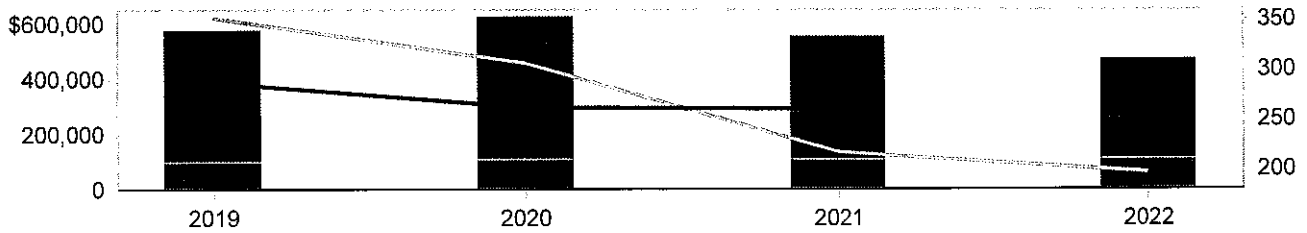


Source: Moody's Investors Service

Leverage

Exhibit 5
Total Primary Government - Long Term Liabilities

Governmental Debt
 Business-Type Activity Debt
 Adjusted net pension liabilities
 Adjusted net other post-employment liabilities
 Other long-term liabilities
 Long-term liabilities ratio (%)
 Aaa median long-term liabilities ratio (%)



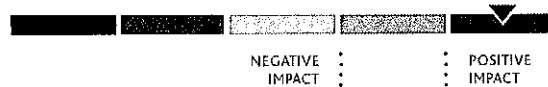
Source: Moody's Investors Service

ESG considerations

Southampton (Town of) NY's ESG Credit Impact Score is Positive CIS-1

Exhibit 6
ESG Credit Impact Score

CIS-1
Positive



For an issuer scored CIS-1 (Positive), its ESG attributes are overall considered as having a positive impact on the rating. The overall positive influence from its ESG attributes on the rating is material.

Source: Moody's Investors Service

The Town of Southampton's ESG credit impact score is positive (**CIS-1**), reflecting positive exposure to governance, and social risks while environmental risks are moderately negative.

Exhibit 7

ESG Issuer Profile Scores

ENVIRONMENTAL

E-3

Moderately Negative



SOCIAL

S-1

Positive



GOVERNANCE

G-1

Positive



Source: Moody's Investors Service

Environmental

The Town of Southampton's overall environmental issuer profile score is moderately-negative (**E-3**). All issuers in Suffolk County have an elevated exposure to storms and water stress. The county maintains an active emergency management team and hazard mitigation plan to aid in navigating these challenges and works closely with all their local governments to help mitigate risks. The state and federal government have a long history of supporting local governments following extreme weather events. Exposure to other environmental risks such as carbon transition, natural capital, and pollution risks are low.

Social

The Town of Southampton's social issuer profile score is positive (**S-1**). The town is exposed to risks associated with a heavy concentration of second homes; however, those risks are mitigated by increased presence of homeowner's working remotely. Strong employment of both homeowners and full-time residents, low poverty, high resident income, high educational attainment, and low violent crime are positives. All municipalities in Suffolk County have good access to basic services while risks associated with housing are neutral-to-low.

Governance

The Town of Southampton's governance issuer profile score is positive (**G-1**). Government operations are managed by certified and experienced professionals who are responsible for implementing policy objectives. This, plus a combination of a strong state-wide institutional framework and conservative budgeting, has allowed for stable and strong financial operations. Finally, management is prompt in publishing its budgets and audited financial statements. Monthly or quarterly interim statements are not available publicly.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

The two notch difference is driven by the restricted reserves being held in the Community Preservation Fund that are not being counted as available. The town also does not have any material debt plans.

Exhibit B

Southampton (Town of) NY

	Measure	Weight	Score
Economy			
Resident income ratio	137.3%	10.0%	Aaa
Full value per capita	1,417,363	10.0%	Aaa
Economic growth metric	-0.6%	10.0%	Aa
Financial Performance			
Available fund balance ratio	23.8%	20.0%	A
Liquidity ratio	25.7%	10.0%	A
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	195.7%	20.0%	Aa
Fixed-costs ratio	11.3%	10.0%	Aa
Notching factors			
Additional Strength in Local Resources	1.0		
Potential for significant change in leverage	-0.5		
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aaa

The complete list of outstanding ratings assigned to the Southampton (Town of) NY is available on their [issuer page](#). Details on the current ESG scores assigned to the Southampton (Town of) NY are available on their [ESGView page](#).

Sources: US Census Bureau, Southampton (Town of) NY's financial statements and Moody's Investors Service

Appendix

Exhibit 9

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau – American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service

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REPORT NUMBER 1378449

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