Supervisor Mark Lesko Announces that Wall Street Agency Affirms Brookhaven's High Bond Rating
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Standard & Poor's Affirms Brookhaven's Bond Rating as AA+ for the second time in four months

Farmingville, NY - On March 31, 2011, Standard & Poor's (S & P) Wall Street rating agency affirmed Brookhaven's bond rating of AA+ with a stable outlook. S & P had recently affirmed Brookhaven's rating on December 9, 2010. S & P noted in its recent affirmation that the Town of Brookhaven has proactively responded to fiscal challenges and continues to aggressively monitor the Town's revenues.

The S & P report stated, "Brookhaven continues to respond actively to the challenging economic climate by strengthening existing practices and implementing new ones."

S & P's outlook for Brookhaven is stable, which, according to the report, "reflects Standard & Poor's opinion of the near-term fiscal pressures the town is facing light of reductions in few major revenue streams. Management's ability to create and implement plans to restore structural balance with recurring expenditures and stabilizing reserves remains an integral component to the rating."

Supervisor Mark Lesko said, "I am proud of this affirmation of our high bond rating, which shows that our actions to drastically cut spending in the face of dwindling revenues has ensured the stability of Brookhaven's finances and has put Brookhaven on the path towards a healthy financial future."

S & P considers Brookhaven's management practices "strong" under its Financial Management Assessment (FMA) methodology and complemented Brookhaven's management practices as well embedded and likely sustainable. The financial management is strong due to several reasons cited by Standard & Poor's, including:

- A formal fund balance policy of maintaining the balance of at least 20% of expenditures;
- A new debt management policy, which limits debt service to 15% of revenues or expenditures, whichever is less;
- A well-defined capital improvement plan, which will be updated annually;
- Monitoring of the budget; and
- Long term financial forecasts updated annually as part of the budget process.

The 2011 budget process was difficult, mainly due to the fact that the Town continued to experience the devastating effects of the country's economic recession and a virtually non-existent recovery. Revenues plunged to almost unimaginable levels. For example, non-property tax revenues in the Town's General Fund plummeted almost $67.2 million since 2004. S & P commented on the decline in revenues, stating, "Landfill fees and mortgage tax receipts account for roughly 50% of general fund revenues, and the changes in the local economy have had an effect on both."

The Town's budget woes were compounded by ever increasing costs related to insurance premiums and pension costs. In addition, debt service payments have increased almost $8 million since 2006 and constitute 24% of the Town's General Fund expenditures.

Supervisor Lesko's 2011 budget cut spending by $26.5 million in the General Fund from the 2010 adopted budget and takes into consideration the extension of the Collective Bargaining Agreement with the White and Blue Collar Units, which is projected to save $8 million in 2011 and 2012 alone. Since Supervisor Lesko has taken office, the Town has cut spending in the General Fund by 26%, or a total of $44 million. There was no property tax increase in the 2011 budget.

S & P also noted the success of Brookhaven's Five Point Fiscal Plan, which was implemented in 2010 to make up $20 million to avoid violating the Town's fund balance policy in 2011. The rating agencies do not endorse utilizing reserves or fund balance to plug budget gaps because after fund balance is exhausted a municipality risks running a deficit.

In the past, the Town had relied on surplus to make up for falling revenues, and surplus had fallen from $82.6 million
in 2004 to $48.0 million in 2010. Supervisor Lesko realized that the Town could not continue to rely on plugging budget gaps with fund balance. Combined with drastically reduced revenues, if this path continued, the Town would face a deficit.

Under Supervisor Mark Lesko, the Town has focused on reducing its reliance on surplus and cutting spending for long-term fiscal health. The rating report states, "Although the town's long-term goal is to no longer rely on reserves to balance the budget, it continues to work toward the near-term goal of stabilizing its financial position."

S & P also commented, "...management is projecting fiscal 2010 to close with a $6.9 million drawdown, better than its September 2010 projection of $10.8 million and significantly better that the adopted budget of $23.6 million. Mortgage tax and landfill fees exceeding budget aided in the further use of reserves to balance the budget. With continued cost-cutting measures and the implementation of a five point fiscal plan, the town was able to reduce the amount of budgeted surplus used to balance the budget significantly to $6.9 million from $23.6 million, or a 71% reduction. The total general fund balance is estimated at roughly $51 million, or, in our view, a still-very-strong 35% of expenditures."

In November, Town voters overwhelming approved referendums with at least a 75% approval rate for a debt management cap, spending cap, and property tax cap, which were supported by Supervisor Lesko. The spending cap limits spending in the Town-wide General Fund by an amount not greater than the three-year average of revenues plus the three-year average of population growth, and the tax cap limits yearly property tax rate increases to no more than 4%. S & P noted that the Town's capital program had been sizably reduced due to the newly adopted debt management policy, which limits debt to 15% of revenues or expenditures, whichever is less.

S & P noted that the Town completed its first comprehensive annual report, which received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting award, the highest recognition in government accounting and financial reporting.

S & P also stated, "Brookhaven's financial position remains, in our view, sound, yet it faces challenges in the near future as the Town encounters declines in several of its major revenue streams, primarily in mortgage taxes and landfill fees."

The report continued, "Recognizing the downward trend in major revenue streams and rising pension and health care costs in the future, the town has taken some aggressive, and sometimes unpopular, cost-cutting measures in recent years. By doing so, this has allowed the town to use smaller amounts of reserves to balance the budgets, ensuring it stays within its fund balance policy guidelines. We believe the Town will likely continue to monitor revenues while making the necessary expenditure cuts to maintain balanced budgets."

S & P's rating of AA+ and the Town's rating from Moody's rating agency of Aa2 are both in the top tiers of the agencies ratings schedules and considered high grades. A Town's credit rating is an important and reliable indicator of its fiscal health determined by independent and objective fiscal monitors. A higher bond rating saves the Town on money it borrows because a higher bond rating means a lower interest rate.