

RatingsDirect®

Summary:

Ocean Beach, New York; General Obligation

Primary Credit Analyst:

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

Secondary Contact:

Michael J Mooney, New York (1) 212-438-4943; michael.mooney1@standardandpoors.com

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55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212-438-2000
reference no.: 40270958

April 3, 2014

Village of Ocean County
Village Office
Bay & Cottage Walks
PO Box 457
Ocean Beach, NY 11770
Attention: Mr. Stephen W. Brautigam, Village Administrator / Treasurer

Re: *Ocean Beach Village, New York, General Obligation Bonds*

Dear Mr. Brautigam:

Standard & Poor's Ratings Services ("Ratings Services") has reviewed the rating on the above-listed obligations. Based on our review, we have raised our credit rating from "AA" to "AAA" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

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55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

The logo for Standard & Poor's, written in a cursive, handwritten style.

Standard & Poor's Ratings Services

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enclosure

Summary:

Ocean Beach, New York; General Obligation

Credit Profile

Ocean Beach Vill GO

Long Term Rating

AAA/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on the village of Ocean Beach, N.Y.'s general obligation (GO) bonds two notches to 'AAA' from 'AA' based on Standard & Poor's local GO criteria, published Sept. 12, 2013, on RatingsDirect. The outlook is stable.

The village's faith-and-credit pledge secures the bonds.

The rating reflects our opinion of the following factors for the village:

- We consider Ocean Beach's economy very strong with projected per capita effective buying income at 237.7% of the national level. Market value is \$3.1 million per capita based on a year-round population of roughly 120. Market value per capita, however, decreases when accounting for seasonal population. The village also has access to the broad and diverse economy of the New York City-Newark-Jersey City metropolitan statistical area (MSA). Suffolk County unemployment averaged 7.6% in 2012, below the state's and nation's rates.
- In our opinion, budgetary flexibility remains very strong with reserves of more than 33% of expenditures for the past several fiscal years and no plans to spend them down significantly. Audited fiscal 2013 reserves were \$2.9 million, or 60.6% of expenditures.
- In our view, overall budgetary performance has been strong, when removing one-time revenue and expenditures, with an 8.6% general fund surplus in fiscal 2013 and an 8.9% total governmental funds surplus.
- Supporting Ocean Beach's finances is liquidity we consider very strong with total government available cash equal to 67.8% of total governmental fund expenditures and more than 1,000% of debt service. We believe Ocean Beach has strong access to external liquidity.
- We view Ocean Beach's management conditions as strong with "good" financial management practices under our 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.
- In our opinion, Ocean Beach's debt and contingent liabilities profile is very strong with total governmental fund debt service of 6.8% of total governmental fund expenditures and net direct debt of 40.6% of total governmental fund revenue. Officials plan to retire roughly 82% of debt over 10 years. We understand the village does not currently have any additional new debt plans. Ocean Beach participates in the state-administered pension plans; it makes the required full annual contribution. Pension obligation contributions in fiscal 2013 were \$340,673, or a manageable 4.8% of total general fund expenditures. Officials make other postemployment benefits contributions through pay-as-you-go financing.
- We consider the Institutional Framework score for New York villages strong.

Outlook

The stable outlook reflects Standard & Poor's opinion of Ocean Beach's very strong economy, liquidity, and debt and contingent liabilities profile. We believe Ocean Beach's participation in the New York City-Newark-Jersey City MSA provides further rating stability. We could lower the rating if budgetary flexibility and liquidity scores were to weaken. Barring any unforeseen circumstances, however, we do not expect to change the rating within the outlook's two-year period.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 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. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.