
S&P Global
Ratings

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tel 212-438-2000
reference no.: 1519994

April 2, 2018

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

Re: *US\$2,177,000 Village of Ocean Beach, New York, Public Improvement Serial Bonds
-2018, dated: April 17, 2018, due: April 15, 2031*

Dear Mr. Brautigam:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AAA". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings 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.

To maintain the rating, S&P Global Ratings must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:
S&P Global Ratings
Public Finance Department
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.

S&P Global Ratings 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 S&P Global Ratings.

Sincerely yours,

S&P Global Ratings
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mc
enclosures

cc: *Ms. Ginger Peters, Senior Vice President*
Munistat Services, Inc.

RatingsDirect®

Summary:

Ocean Beach Village, New York; General Obligation; Note

Primary Credit Analyst:

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Ocean Beach Village, New York; General Obligation; Note

Credit Profile

US\$2.177 mil pub imp serial bnds ser 2018 dtd 04/17/2018 due 04/15/2031

<i>Long Term Rating</i>	AAA/Stable	New
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Ocean Beach Vill BANs ser 2017 B dtd 07/06/2017 due 04/12/2018

<i>Short Term Rating</i>	SP-1+	Affirmed
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Rationale

S&P Global Ratings has assigned its 'AAA' long term rating to Ocean Beach Village, N.Y.'s 2018 public improvement bonds. At the same time, we affirmed our existing 'AAA' rating on the village's outstanding debt. The outlook for all issues is stable.

In addition, we have affirmed our 'SP-1+' rating on the village's 2017C and 2017B bond anticipation notes (BANs) maturing on April 12, 2018.

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

We understand officials plan to use series 2018 bond proceeds to permanently finance a portion of outstanding BANs. In addition to the 2018 public improvement bonds, the village is also issuing additional BANs, which we have taken into account in our analysis.

We rate the village higher than the nation because we believe Ocean Beach can maintain better credit characteristics than the nation in a stress scenario based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In fiscal 2016, local property taxes generated 52% of village revenue, followed by the use of property at 16%, which demonstrated a lack of dependence on central government revenue.

The rating reflects our opinion of the village's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Very strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with a high available fund balance in fiscal 2017 of 94% of operating expenditures, and an ability and willingness to raise taxes when needed;

- Very strong liquidity, with total government available cash at 1.9x total governmental fund expenditures and 19.2x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 9.9% of expenditures and net direct debt that is 73.8% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 86.5% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Ocean Beach's economy very strong. The village, with an estimated population of 55, is on Fire Island, an outer-barrier island parallel to Long Island's South Shore, in Suffolk County. It is in the New York-Newark-Jersey City MSA, which we consider to be broad and diverse. The village has a projected per capita effective buying income of 160% of the national level and per capita market value of \$6.3 million. Overall, market value grew by 1.1% over the past year to \$344.0 million in 2018. The county unemployment rate was 4.3% in 2016.

Ocean Beach has a permanent population estimate of 55. However, its population rises to about 1,500 in the spring and fall and almost 2,500 in the summer. The village serves primarily as a summer destination for wealthy New Yorkers and daily visitors.

Ocean Beach has largely recovered from damage sustained during Hurricane Sandy in 2012. During the storm, portions of the village closer to the shore experienced significant damage. Several village-owned docks suffered major damage, as did the police department building and Village Hall. However, only one home was destroyed. With state and federal government assistance, including the Federal Emergency Management Agency, the village was able to recover with restored operations.

According to management, it has made new dunes and crosswalks and other infrastructure improvements since the storm with most funding provided by federal and state agencies. In addition, rebuilding efforts have resulted in increased building permits and property values for many homes and businesses over the past few years. Property turnover has been low, and officials report there has been a renewed interest from potential buyers for much of the village's property. Additionally, residents and business owners are redeveloping existing homes and raising buildings to mitigate flood risk.

We believe the speed at which Ocean Beach was able to rebuild and the continued strength of the property tax base demonstrate its resilience to stress scenarios. Due to very strong wealth and income and a commitment on the part of the tax base to the village's vibrancy, we do not expect to change our assessment of its economy during our outlook period.

Strong management

We view the village's management as strong, with "good" financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Highlights include management's:

- Conservative budgeting,
- Minimum three-year historical trend analysis, and
- Quarterly reports to the village board on budget-to-actual results.

The village maintains a five-year capital improvement plan that does not identify funding sources and a formal investment policy with regular reports on holdings and earnings to the board. There is no formal debt-management policy or long-term financial plan. The village, however, has a formal reserve policy of maintaining available fund balance at a minimum of 45% of expenditures, which it adheres to currently.

Very strong budgetary performance

Ocean Beach's budgetary performance is very strong, in our opinion. The village had operating surpluses of 9.3% of expenditures in the general fund and 20.2% across all governmental funds in fiscal 2017.

Fiscal 2017 results include adjustments for recurring transfers and one-time capital expenditures and revenues. The village has posted consecutive general fund surpluses over the past six fiscal years in excess of 5% of expenditures. Management attributes these surpluses, including the fiscal 2017 general fund surplus, to higher-than-expected revenue. In particular, the village has seen increases in building permit fees, as many residents and business owners lift their homes and business. In addition to increased building permits, Ocean Beach consistently sees ferry-rental income, which it normally budgets for very conservatively, outpace the budget by fiscal year-end. Officials also indicate they budget conservatively for expenditures, which results in cost savings by fiscal year-end. In fiscal 2017, the village saw savings across a majority of its expense categories, with employee benefits and public safety leading the way.

We note that the village is in the midst of several different capital projects as it continues to address its capital needs. We would expect to see future increases in capital-related costs, especially in the water and sewer funds. However, given management's proactive policies and practices, we would not expect these projects to affect the village's performance significantly.

The fiscal 2018 budget totals \$6.7 million, a 2.7% increase over fiscal 2017, including an 8.7% increase in property taxes, with no fund balance appropriated toward the budget. Based on current year-end expectations, the expected surplus would be in excess of 5% of budgeted expenses. Based on the six-year trend of significant operating surpluses, we believe that the village will maintain very strong performance. It is in the process of presenting and adopting its 2019 budget.

Very strong budgetary flexibility

Ocean Beach's budgetary flexibility is very strong, in our view, with a high available fund balance in fiscal 2017 of 94% of operating expenditures, or \$5.3 million. We expect the available fund balance to remain above 75% of expenditures for the current and next fiscal years, which we view as a positive credit factor. In addition, the village has an ability and willingness to raise taxes when needed, which we view as a positive credit factor.

The village has consistently maintained very strong reserves over the past three fiscal years. Officials attribute increased reserves to positive financial performance over the past few fiscal years. The village has also increased

reserves to safeguard against any future unexpected costs or emergencies, including maintaining reserves for storm damage as part of available fund balance, which totaled \$1 million as of fiscal 2017.

For fiscal 2018, the village estimates it will have ended with another increase in reserves. Management's formal reserve policy calls for maintaining available reserves at a minimum of 45% of expenditures, which it adheres to currently. Officials indicate they could potentially draw down fund balance in the future, but, in our view, based on the village's historically performance, we do not expect reserves to fall below the 75% positive credit threshold.

We note that the village has consistently exceeded the New York State levy cap for it to maintain services, comply with its fund balance targets, and maintain strong operating performances.

Very strong liquidity

In our opinion, Ocean Beach's liquidity is very strong, with total government available cash at 1.9x total governmental fund expenditures and 19.2x governmental debt service in 2017. In our view, the village has strong access to external liquidity if necessary.

Ocean Beach's issuance of GO bonds and BANs during the past 15 years demonstrates its strong external liquidity. The village does not have any investments outside of cash accounts. It does not currently have any contingent liquidity risks from financial instruments with payment provisions that change on the occurrence of certain events. Therefore, we expect the liquidity profile to remain very strong.

Strong debt and contingent liability profile

In our view, Ocean Beach's debt and contingent liability profile is strong. Total governmental fund debt service is 9.9% of total governmental fund expenditures, and net direct debt is 73.8% of total governmental fund revenue. Overall net debt is low at 2.8% of market value, and approximately 86.5% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

With this issuance, the village will have about \$11.6 million in total direct debt, approximately \$7.3 million of which is BANs. In addition, state and federal grants, which the village has been approved for, will reimburse about \$6.0 million of debt. Ocean Beach plans to finance its short-term debt permanently within the next two years. Officials currently plan to issue about \$11.5 million in additional debt through the Environmental Facility Corp. (EFC) in the future, outside of the outlook period. It should be noted that this additional debt may weaken the village's debt and liability profile.

Ocean Beach's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 5.4% of total governmental fund expenditures in 2017. Of that amount, 4.5% represented required contributions to pension obligations, and 0.9% represented OPEB payments. The village made its full annual required pension contribution in 2017.

Ocean Beach contributes to the New York State Employees' Retirement System and the New York State Police & Fire Retirement System, collectively known as the New York State & Local Retirement System, for pensions. The system is 94.7% funded. The village contributed a total of \$292,086 to pensions in fiscal 2017. Its proportionate share of the net pension liabilities totaled \$649,004 as of fiscal 2017, which we view as manageable. The village does offer OPEBs to retirees, but currently we do not view these costs as a pressure on the debt and liability profile.

Strong institutional framework

The institutional framework score for New York villages is strong.

Outlook

The stable outlook on the long-term rating reflects S&P Global Ratings' opinion of Ocean Beach's very strong economy, supported by its access to the New York City MSA. We believe the village's very strong budgetary performance; liquidity; and budgetary flexibility, coupled with a strong debt and contingent liability profile, further support the rating. Therefore, we do not expect to change the rating within our two-year outlook period. However, if budgetary performance were to deteriorate, leading to significant drawdowns in reserves below policy levels, or if debt were to increase significantly, we could lower the rating.

Ratings Detail (As Of April 2, 2018)

Ocean Beach Vill BANs ser 2017 C

Short Term Rating

SP-1+

Affirmed

Ocean Beach Vill GO

Long Term Rating

AAA/Stable

Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.