

Research Update:

# Babylon Village, NY GO Debt Rating Lowered To 'AA-' From 'AA' On Reduced Reserves

May 19, 2026

## Overview

- S&P Global Ratings lowered its long-term rating on [Babylon Village](#), New York's general obligation (GO) debt outstanding to 'AA-' from 'AA'.
- The outlook is stable.
- The downgrade reflects the village's reduced reserve position following operating pressures in fiscal 2024. Although we believe reserves will likely increase following positive financial performance in fiscal 2025 and expected positive performance in fiscal 2026, we think reserves still remain well below those of higher-rated peers.

## Rationale

### Security

The village's faith and credit pledge secures its GO bonds outstanding.

### Credit highlights

The downgrade reflects a decline in the village's reserves following a disruption in parking revenues and a combination of one-time and ongoing expenditures in fiscal 2024. Given the village's reliance on parking and fee-related income, the resulting volatility in reserves leads us to believe its financial profile--in terms of both performance and scale--is more comparable with those of 'AA-' rated peers. Following the fiscal 2024 contraction, fund balance rose incrementally in 2025 with further increases expected 2026, supported by property tax adjustments, the restoration of parking infrastructure, and the implementation of new revenue streams, all of which should bolster long-term fiscal stability. The current rating also reflects the village's high wealth levels and manageable debt.

In fiscal 2024, Babylon Village experienced a sizable \$875,000 deficit, primarily driven by lost revenues due to the temporary closure of two of its large parking lots. The closure, along with several other expenses, including additional ongoing security and code-enforcement expenses and a one-time retirement payout, led to a significant depletion of the village's unassigned reserves, although it maintained approximately \$2 million in cash, preserving liquidity.

### Primary Contact

**Rahul Chakraborty**  
New York  
2124381864  
Rahul.Chakraborty  
@spglobal.com

### Secondary Contact

**Timothy W Barrett**  
Washington DC  
+ 1 (202) 383-2232  
timothy.barrett  
@spglobal.com

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For fiscal 2025, the village has moved toward financial stabilization. Parking lots returned to service, and the village implemented parking rate and fee increases. Furthermore, a new revenue stream via EMS billing was introduced in fiscal 2025, which is expected to generate approximately \$300,000 annually. These factors, combined with management's ability to adjust property taxes as necessary, led to a \$400,000 surplus and will support ongoing stability. The village's governing board has consistently approved property tax increases above the state's tax cap in each of the past five years, including a 10% increase in fiscal 2025 to address budgetary needs, which we think cements the village's ability to access its wealthy tax base when necessary.

Looking ahead to fiscal 2026, the village anticipates at least a \$100,000 surplus and expects the unassigned fund balance will rise to more than \$300,00. We anticipate reserves will incrementally increase as the village works to meet its fund balance policy of 10%-20% over the long term.

The 'AA-' rating also reflects our view of the following factors:

- The village, in Suffolk County on Long Island, serves as a predominantly residential community that benefits from ongoing residential and commercial development and nearby employment opportunities that support the tax base. We expect Babylon Village will maintain its current economic trajectory.
- Management's policies and practices are in line with those of other New York village issuers. Management has demonstrated responsiveness to fiscal challenges through timely property tax adjustments and the implementation of new revenue sources like EMS billing, although we think the village's planning practices lack formalization similar to many other peers within the state, including the lack of a multiyear financial or capital forecast. The village maintains a fund balance policy of 10%-20% of next year's appropriations, which we expect it will not be able to adhere to over the outlook horizon.
- Balanced-to-positive results are expected. Following the fiscal 2024 deficit, the combination of restored parking revenues, rate increases, and new EMS billing income is expected to stabilize financial performance. The village projects a surplus for fiscal 2026, reflecting a trend toward budgetary recovery.
- The debt and liability profile is manageable. The village plans to issue \$2 million in bond anticipation notes (not rated) this month, which we have factored into our analysis. With the upcoming note issuance, the village will have approximately \$8.8 million in net direct debt, a level that we consider manageable. Babylon Village participates in the well-funded New York State pension systems and we've incorporated the village's \$12.2 million other postemployment benefits liability into our analysis.
- The operating environment for New York local governments is generally predictable and stable. For more information on our institutional framework assessment for New York municipalities, see "[Institutional Framework Assessment: New York Local Governments](#)," Sept. 10, 2024.

## Environmental, social, and governance

We have assessed the environmental, social, and governance risks relative to Babylon Village's economy, management, financial measures, and debt and liability profile, and have determined that most are neutral in our rating analysis. The village is part of the Suffolk County hazard mitigation plan.

## Outlook

The stable outlook reflects our expectation that the village will continue to produce at least balanced operating results due to the restoration of key revenue streams and limited pressure from fixed costs.

### Downside scenario

We could lower the rating if financial performance were to deteriorate further, leading to drawdowns on reserves to below current levels.

### Upside scenario

We could raise the rating if the village were to sustain higher reserves in accordance with the higher end of its fund balance policy and its strengthened management policies and practices.

### Babylon Village, New York--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.98
Economy	1.5
Financial performance	3
Reserves and liquidity	5
Management	3.65
Debt and liabilities	1.75

### Babylon Village, New York--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GDP per capita % of U.S.	--	--	103	102
County PCPI % of U.S.	--	--	125	126
Market value (\$000s)	--	2,764,393	2,533,873	2,177,076
Market value per capita (\$)	--	227,860	208,859	178,786
Top 10 taxpayers % of taxable value	--	5.2	5.0	--
County unemployment rate (%)	--	3.2	3.5	3.3
Local median household EBI % of U.S.	--	--	166	162
Local per capita EBI % of U.S.	--	--	162	158
Local population	--	--	12,132	12,177
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	14,344	12,141	12,725
Operating fund expenditures (\$000s)	--	13,960	13,110	12,368
Net transfers and other adjustments (\$000s)	--	15	94	66
Operating result (\$000s)	--	399	(875)	423
Operating result % of revenues	--	2.8	(7.2)	3.3
Operating result three-year average %	--	(0.4)	(1.8)	(0.9)

**Babylon Village, New York--key credit metrics**

	Most recent	2025	2024	2023
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	1.3	--	10.3
Available reserves (\$000s)	--	181	6	1,317
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	7.1	7.3	6.3
Net direct debt per capita (\$)	627	627	685	469
Net direct debt (\$000s)	7,607	7,606	8,312	5,707
Direct debt 10-year amortization (%)	88	88	84	--
Pension and OPEB cost % of revenues	--	6.0	7.0	5.0
NPLs per capita (\$)	--	118	107	156
Combined NPLs (\$000s)	--	1,429	1,303	1,903

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

**Ratings List**

**Downgraded**

	To	From
Babylon Vill, NY Issuer Credit Rating	AA-/Stable	AA/Stable
<b>Local Government</b>		
Babylon Vill, NY Unlimited Tax General Obligation	AA-/Stable	AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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