

Tax Supported
New Issue

New Providence, New Jersey

Ratings

New Issue

General Improvement
Bonds, 2006 AA+

Outstanding Debt

General Obligation Bonds AA+
Rating Outlook Stable

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New Issue Details

\$4,165,000 General Improvement Bonds are scheduled to sell competitively on July 20.

Security: The bonds are general obligations of New Providence, payable from an unlimited ad valorem tax pledge.

Purpose: Bond proceeds will fund various capital improvements, including library and municipal center improvements, in addition to equipment for public safety and public works operations.

Outlook

The 'AA+' rating reflects New Providence's strong financial reserves, high personal income levels, low unemployment, and prudent fiscal policies. Additionally, strong liquidity, rapid debt amortization, a diverse local economy, and good transportation links to the area's major employment centers are important credit strengths.

Rating Considerations

New Providence is located in Union County, approximately 15 miles west of Newark and 28 miles west of New York City. The 2005 population, estimated at 11,905, has been relatively stable since the 2000 census, but represents a 13% decline since the 1970s. Resident income levels are high, with 1999 per capita income 59% above the state's high level and nearly double that of the nation. The borough is home to the corporate headquarters of two international corporations, BOC Gases and C.R. Bard, which complement the local retail and professional service economic base. Additionally, a portion of Lucent Technologies headquarters operations lie within borough limits. Unemployment, as reported by the state of New Jersey, has been historically below county, state, and national levels.

Prudent financial policies and budgeting practices have led to sizable reserve levels. At the close of 2005, the borough's unreserved, undesignated current fund balance was \$2.46 million, representing a high 20.1% of municipal expenditures that were well above the adopted policy level of \$750,000. The borough prudently maintains reserves for potentially volatile expenditure items, which bring total 2005 undesignated reserves to 22.5% of expenditures. Performance in 2006 has been as expected, and measures managing the effects of several sizable tax appeals are being taken to ensure balanced operations at year end. While the borough's taxable assessed valuation (TAV) has declined slightly since 2000 due to an increase in commercial tax appeals, residential and commercial projects currently anticipated should offset further declines. Despite this weakening, market value of property in the borough has grown a healthy 8.3% on average annually since 2001. Borough tax rates compare favorably with those of neighboring jurisdictions, and residents have been supportive of the increasing costs of municipal and school services.

The borough's direct debt levels are low at approximately 0.6% of equalized value and \$1,113 on a per capita basis. Overall debt levels, inclusive of county and school debt, are more moderate at 2% of market value and \$3,725 per capita. Future capital needs appear manageable, and anticipated additional debt of \$4.8 million over the next five years is less than the amount that will be retired in the same period as borough debt amortizes rapidly. Over the next five years, 52% of borough debt will be retired, and 86% will be amortized within 10 years.

July 19, 2006

■ **Strengths**

- Strong financial reserve levels.
- Prudent financial policies.
- High personal income levels.
- Historically low unemployment rates.

■ **Risk**

- Largely built-out land area precludes significant tax base growth.

■ **Debt**

The borough's overall debt levels, including overlapping Union County and school district debt, are affordable and moderate at 2.01% of the borough's sizable equalized value base. On a per capita basis, direct debt is low at \$1,113 and overall debt is a more moderate \$3,725. Additionally, amortization of outstanding debt is rapid with 86% retired in 10 years. While the municipal debt service burden on the budget is above average at 12.9% of 2005 municipal expenditures, it is down from 15.0% in 2002, reflecting the rapid debt retirement.

Debt levels are expected to remain affordable, as the mayor and council annually review formally adopted debt policies as part of the borough's comprehensive financial management plan. Borough practices include funding capital costs that have a five-year legal life through the operating budget while utilizing long-term financing for longer term projects. The borough also strives to maintain direct debt at less than 1.0% of equalized value, well below the state's limit of 3.5%. Policy further stipulates that the final maturity of bonded debt will not exceed 80% of its average useful life and that no less than 60% of principal will be repaid within 10 years. Finally, increases in total borough debt service are limited to no more than 5% on an annual basis.

Debt Statistics

(\$000)

This Issue	4,165
Outstanding Debt	9,089
Direct Debt	13,254
Overlapping Debt	31,098
Total Overall Debt	44,352

Debt Ratios

Direct Debt Per Capita (\$)*	1,113
As % of Equalized Value**	0.60
Overall Debt Per Capita (\$)*	3,725
As % Equalized Value**	2.01

*Population: 11,905 (2005 estimate).

** Equalized value: \$2,208,348,000 (2006).

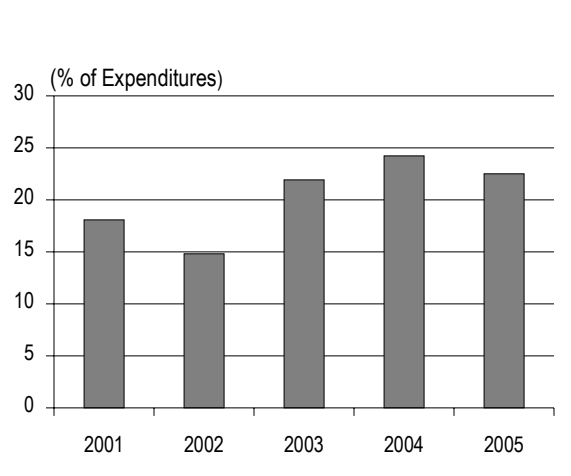
New Providence's six-year capital improvement plan spanning 2006–2011 is manageable at just under \$7.5 million. Approximately 64% of the plan will be funded with general obligation bonds. Federal and state grants are expected to cover nearly 20% of the plan, with the balance cash funded. Improvements to the municipal center, at 28% of the plan, constitute the largest use of capital funds. Significant capital investments will also be allocated toward road improvements (23%), public works equipment (14%), parks and recreational facilities (10%), and wastewater treatment (8%).

Proceeds from the current issuance will permanently finance \$3.1 million in bond anticipation notes issued in July 2005 and approximately \$1.2 million in new money authorized for a variety of borough projects by ordinances adopted since 2002. Building projects include additions and renovations to the New Providence Memorial Library, improvements to the municipal center and public works yard, as well as a new building for the borough's rescue squad. Additionally, proceeds will also fund new vehicles and equipment for public safety and public works functions and a variety of other capital improvements.

■ **Finances**

The borough's conservative financial policies have led to the creation of sizable reserves. At the close of 2005, the borough's unreserved, undesignated current fund balance equaled \$2.46 million, or 20.1% of municipal expenditures. Taking account of other borough funds reserved for potentially volatile expenditure items, including snow removal and commercial tax appeals, unreserved current fund

Unreserved Fund Balance Levels
(Years Ended Dec. 31)



Financial Summary

(\$000, Years Ended Dec. 31)

	2001	2002	2003	2004	2005
Municipal Property Taxes — Current	7,515.0	7,628.4	8,387.2	8,548.4	8,858.7
Miscellaneous Revenues Anticipated	3,797.4	3,368.6	3,441.0	3,514.7	3,552.6
Unanticipated Miscellaneous (Nonbudget) Revenues	137.6	46.2	134.4	433.3	162.3
Total Municipal Revenues	11,450.0	11,043.2	11,962.6	12,496.4	12,573.6
School/County/Open Space Taxes Passed Through	25,856.3	27,424.4	29,690.0	32,092.5	33,556.7
Total Revenues	48,757.0	49,511.5	41,652.6	44,588.9	46,130.3
General Government	2,110.3	2,454.1	2,831.1	1,956.1	2,022.8
Public Safety	2,196.5	2,203.3	2,367.7	2,468.5	2,732.3
Streets and Roads	739.3	556.7	122.6	238.1	272.5
Uniform Construction Code	118.2	144.1	153.2	176.6	194.6
Sanitation	904.2	853.2	918.3	955.1	957.3
Health and Welfare	82.2	90.5	91.9	119.1	95.9
Recreation and Education	246.0	244.8	249.5	277.4	259.2
Other*	2,121.1	2,172.9	873.4	852.9	853.0
Debt Service	1,552.3	1,623.0	1,582.4	1,555.2	1,574.4
Capital Improvements	507.9	187.6	158.6	236.6	192.8
Deferred Charges and Statutory Expenditures	427.7	294.6	1,557.5	2,867.8	3,080.9
Total Municipal Expenditures	11,005.7	10,824.8	10,906.2	11,703.4	12,235.7
School/County/Open Space Taxes Passed Through	25,856.3	27,424.4	29,690.0	32,092.5	33,556.7
Total Expenditures	47,867.7	49,074.0	40,596.2	43,795.9	45,792.4
Operating Income/(Deficit)	889.3	437.5	1,056.4	793.0	337.9
Net Transfers and Other Uses	(588.7)	(519.3)	(336.3)	(553.8)	(509.4)
Net Income/(Deficit)	300.6	(81.8)	720.1	239.2	(171.5)
Total Fund Balance	2,439.6	2,181.1	2,745.1	3,414.1	3,358.1
As % of Expenditures, Transfers, and Other Uses	22.2	20.1	25.2	29.2	27.4
Unreserved Fund Balance	1,995.1	1,614.0	2,398.2	2,834.3	2,747.0
As % of Expenditures, Transfers, and Other Uses	18.1	14.9	22.0	24.2	22.5
Unreserved/Undesignated Fund Balance	1,995.1	1,614.0	2,398.2	2,631.2	2,458.9
As % of Expenditures, Transfers, and Other Uses	18.1	14.9	22.0	22.5	20.1

*Utilities and public/private programs offset by revenue.

balance totals \$2.75 million, or 22.5% of expenditures. Borough policies call for the maintenance of total reserves of at least \$750,000, a level which has been exceeded by more two times in each of the past five years.

Municipal property taxes constituted 70.5% of municipal revenues in 2005, and current collection rates are excellent, remaining at or above 99% since 2001. The total equalized tax rate for the borough in 2006 is \$3.398 per \$100 of assessed value, having risen a modest 4.9% during 2005. The increase consisted of a \$0.032 in the municipal levy, \$0.008 in the county levy, and \$0.119 for school operations and debt service. Average tax levy growth since 2001 has been 5.5%, and borough tax rates remain below those of several comparable communities in Union County.

Municipal revenues in 2005 rose by a modest 4.5% over those of 2004. Public safety expenditures represent the largest cost to the borough and were 22.3% of municipal expenditures in 2005, up from 21.1% in 2004. Insurance

expenditures, which grew by 11% between 2004 and 2005, are increasing as a percentage of municipal spending, representing 10% of total municipal expenditures in 2005, up from 7% in 2001.

TAV in New Providence has remained relatively stagnant since 2001, declining by 0.2% on average annually, largely due to an increasing number of commercial tax appeals and no property revaluation. Despite this decline, estimated market value of property in the borough has grown a healthy 8.3% on an average annual basis over the same period, reflecting instead growth of real estate values. Currently anticipated residential and commercial projects, along with an aggressive posture towards appeals, should offset further declines. The top 10 taxpayers constitute a moderate 11% of the borough's TAV, led by the BOC Group, representing 2.7% of total assessed value.

■ **Economy**

New Providence is an affluent suburban community approximately 28 miles west of New York City. The

borough is served by two New Jersey Transit rail stations providing access to Manhattan, Newark, and Hoboken. Population levels have been relatively stable since 2000 but are down approximately 13% from 1970. Despite being relatively built-out, the borough has added approximately 100 residential units since 2005, and 100–200 additional units are possible through redevelopment.

The borough is home to the corporate headquarters of two international corporations, BOC Gases, an industrial gas supplier, and C.R. Bard, which manufactures health care products. While BOC Gases is closing its research facility in New Providence, the company will maintain its headquarters in the borough and is renovating its office space. Additionally, a portion of Lucent Technologies'

headquarters operations lies within borough limits, and the closing of their facility in Monmouth County is expected to bring approximately 1,000 jobs to the area. The borough's active downtown, home to a variety of banking, small retail, and medical and professional offices, is currently undergoing streetscape renovations, which should retain local interest in the area.

The borough's unemployment rate, as reported by the state of New Jersey, was 3.0% in 2005, up slightly from a low 2.8% in 2004. These levels have historically compared favorably with county, state, and national levels. Resident income levels are high, with 1999 per capita money income 59% above the state's high level and nearly double that of the nation.

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