

New Issue: **New Providence (Borough of) NJ**

MOODY'S ASSIGNS Aa3 RATING TO BOROUGH OF NEW PROVIDENCE'S (NJ) \$4.2 MILLION GENERAL IMPROVEMENT BONDS

TOTAL OF \$10.4 MILLION IN G.O. DEBT OUTSTANDING

Municipality
NJ

Moody's Rating

ISSUE	RATING
General Improvement Bonds	Aa3
Sale Amount \$4,165,000	
Expected Sale Date 07/18/06	
Rating Description General Obligation Unlimited Tax Pledge	

Opinion

NEW YORK, Jul 14, 2006 -- Moody's Investors Service has assigned a Aa3 rating to the Borough of New Providence's (NJ) \$4.2 million in General Improvement Bonds. Concurrently, Moody's has affirmed the Aa3 rating on the borough's outstanding \$6.2 million in parity debt. This issue is secured by the borough's general obligation, unlimited tax pledge and proceeds will be used to redeem the borough's \$3.1 million in Bond Anticipation Notes, dated July 28, 2005, maturing on July 28, 2006 as well as to provide \$1.18 million in new funds for various capital projects. The Aa3 rating reflects a modestly growing suburban tax base with significantly higher than average wealth indices, stable financial operations with healthy reserves, and favorable debt position.

AFFLUENT TAX BASE EXPERIENCES MODEST GROWTH

Moody's expects the borough's larger than average \$2.2 billion tax base to continue to experience modest tax base growth, reflecting renovations and additions to existing homes and limited new construction. Located 28 miles from New York City (rated A1/stable outlook), in Union County (Aa1/stable outlook), the borough has two train stations with commuter service directly to New York City. The borough is primarily residential, but has a notable commercial and industrial presence representing approximately 20% of the tax base. Residential development has been minimal over the past five years, mostly in the form of improvements and additions to existing homes, but building permits indicate an upswing in construction as residential improvements continue and BOC, a global industrial gases company, renovates its office space. C.R. Bard (rated Baa1), a medical devices company located in town is also in the process of expansion. The borough's equalized value growth, reflective of ongoing market appreciation mixed with moderate redevelopment of the residential housing stock, has averaged 8.3% per year since 2001 compared to the state median for average annual growth during this period of 12.2%. Assessed valuation, however, has been declining at an annual average of 0.2% from 2000 to 2005 due to negotiated settlements with the borough's corporate citizens reflecting a strengthening in the residential component of the tax base when compared to the commercial/industrial sectors. While the borough enjoys a large corporate presence and many are expanding and renovating their facilities, a large office space previously occupied by an insurance company, while leased out to various tenants is not fully occupied and there are no definitive alternative plans for the site at this time. Wealth and income indices are in excess of state medians and the equalized value per capita is a high \$185,575.

STABLE FINANCIAL OPERATIONS AND HEALTHY RESERVES

Moody's expects that the borough's trend of consistent financial operations will continue given conservative budgeting of tax revenues and tight expenditure controls. The borough fully replenished the \$1 million and \$1.8 million of reserves appropriated to the budget in fiscal years 2003 and 2004, respectively. In fiscal 2005, the borough replenished all but \$172,000 of the \$2.1 million in reserves appropriated to the budget, leaving \$2.5 million in the Current Fund balance (a sound 18.9% of revenues) explained, in part by the delayed receipt of approximately \$80,000 in federal grants. When additional reserves are considered, the borough's financial position has improved to \$2.9 million (a healthy 22.5% of Current Fund revenues) in fiscal 2005 from \$2.4 million (19.5% of Current Fund revenues) in fiscal 2003. At the end of fiscal 2005, these additional funds included reserves for Capital Improvements (\$167,254), Capital Fund balance (\$31,876), Reserves for

Dedicated Expenditures (\$161,878), and Snow Removal reserves in the Trust Fund (\$106,748).

While the borough appropriated \$2 million of reserves for the 2006 fiscal year, management projects that the Current Fund balance will remain consistent with the fiscal 2005 level, as the borough anticipates replenishing all appropriated reserves with property tax collections in excess of budget and cancellation of current year appropriations to balance greater than anticipated tax appeal settlements. The borough generally replenishes appropriated fund balance and has a policy to leave a modest \$500,000 in reserve after fund balance is appropriated each year. Additionally, the borough maintains approximately \$200,000 to \$250,000 in special reserves for purposes including tax appeals, snow removal and pension liabilities. The borough is primarily reliant upon property taxes for operations, which accounted for 68.1% of Current Fund revenues in fiscal 2005. Collection rates remain strong, averaging 99.4% on a current-year basis from 2001 to 2005.

The borough benefits from citizen volunteerism and corporate involvement. Committees comprised of citizens are actively engaged in future planning for the borough and an insurance committee made up of insurance industry professionals ensures that the borough is well-protected with policies purchased at the lowest possible cost. Corporations with a presence in New Providence contribute to various projects/functions hosted by the borough reducing the burden on taxes for these purposes. The Summit Medical Group recently relocated to Murray Hill, an area that straddles New Providence and Berkeley Heights (rated Aaa/negative outlook), and is expecting an increase of 1,000 employees, occupying a site that remained vacant for nearly five years. The downtown, which is expected to be refurbished with new streetscapes and financed by the Special Improvement District, will benefit from the additional employees expected to be relocated to this facility.

Favorably, the borough does not defer the payment of school taxes.

MANAGEABLE DEBT BURDEN

Moody's expects the borough's moderate 2.3% overall debt burden to remain manageable given rapid amortization of direct debt (82.6% in 10 years) and limited debt issuance plans. The borough's direct debt burden is a below average 0.7% of equalized value. The overall debt burden increases to a still average 2.3% of equalized value when incorporating the overlapping school district and county debt. The current issue will redeem Bond Anticipation Notes issued in 2005 and provide \$1.18 million in new funds for various capital improvement projects. The borough provides for most capital projects from its operating budget and does not anticipate issuing any additional long-term debt in the near term.

KEY STATISTICS:

2000 Population: 11,907

2006 Equalized valuation: \$2.2 billion

2006 Equalized value per capita: \$185,575

Per capita income as % of New Jersey: 159.2%

Median family income as % of New Jersey: 160.6%

Direct debt burden: 0.7%

Overall debt burden: 2.3%

Payout of principal (10 years): 82.6%

FY05 Current Fund balance: \$2.5 million (18.9% of Current Fund revenues)

Post-sale parity debt: \$10.4 million

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