



New Issue: Moody's assigns Aa2 rating to the Township of Moorestown's (NJ) \$6.2 million General Obligation Refunding Bonds, 2012

Global Credit Research - 27 Jul 2012

Aa2 rating applies to \$28.5 million of G.O. debt outstanding, post-sale

MOORESTOWN (TOWNSHIP OF) NJ
Cities (including Towns, Villages and Townships)
NJ

Moody's Rating

ISSUE	RATING
Refunding Bonds	Aa2
Sale Amount	\$6,200,000
Expected Sale Date	07/31/12
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, July 27, 2012 --Moody's Investors Service has assigned a rating of Aa2 to the Township of Moorestown's (NJ) \$6.2 million General Obligation Refunding Bonds, 2012. Concurrently, we have affirmed the Aa2 rating on the township's \$28.5 million in currently outstanding general obligation debt. Proceeds of the current issue will be used to advance refund the township's Series 2003 bonds for estimated net present value savings of at least \$264,765, or 4.5% of refunded principal without extension of the final 2018 maturity.

SUMMARY RATING RATIONALE

The Aa2 rating reflects the township's sizeable tax base with significant new commercial and residential development, reduced but still adequate financial position which is expected to improve over the near term, high fixed costs as a percentage of budget, and above average wealth indices.

STRENGTHS

- Tax base expansion through new commercial and residential development
- Above average wealth indices

CHALLENGES

- High fixed costs as percentage of budget, particularly for debt service
- Material tax appeals outstanding
- Recent reductions in fund balance reserves

DETAILED CREDIT DISCUSSION

FINANCIAL OPERATIONS EXPECTED TO IMPROVE FOLLOWING DRAWS ON RESERVES

The township's financial operations are expected to improve in the near term despite significant draw downs from fund balance in recent years. The township historically maintained healthy reserves in the range of 25% of Current Fund revenues. However, more recently, fund balance was significantly reduced to a still-adequate \$1.2 million (6.1% of Current Fund revenues) in fiscal 2011 from a stronger \$5.5 million (25.6% of Current Fund revenues) in fiscal 2007. The 2008 reassessment caused a substantial 145% assessed valuation increase, which resulted in numerous tax appeals, weakening tax collections. In fiscal 2011, the township replenished \$1.1 million of the \$2.4 million in fund balance appropriated, resulting in a \$1.3 million draw on reserves. The township's ample cash position, \$8.4 million or 41.2% of revenues, is bolstered in large part by the deferral of the school tax levy in previous years.

In fiscal 2012, despite the appropriation of \$1.2 million in fund balance, officials project generating a surplus of \$6.7 million, resulting in an improved estimated year-end Current Fund balance of \$5.5 million (24.5% of Current Fund revenues). Officials expect to generate these large variances due to \$3.9 million in excess miscellaneous revenues from the sale of four liquor licenses in the previously "dry" township, resulting in a \$870,000 increase in non-budget revenues, and UCC Codes which are anticipated to exceed their budgeted amount by \$250,000. (See the Tax base section below for discussion of several development projects underway.) Additionally, the state has approved the township's amended plan to utilize its housing trust fund to reimburse debt service and administrative expenses. Officials report that this change will account for an additional \$1 million over fiscal years ending 2012 and 2013. The township is primarily funded by property taxes, state aid, and miscellaneous revenues which comprised 73.2%, 8.8%, and 14.1%, respectively, of fiscal 2011 Current Fund revenues.

Although the township has deferred school taxes in previous years, officials changed the township's policy on the use of this mechanism to improve year-end results in fiscal 2010. Appropriations were reduced and the levy was increased to a level where operations could be sustained without reliance on the deferral. There are no plans to increase the amount of the deferral for school taxes for at least the next five years. As of fiscal 2011 year-end, 41.9% of the school levy was deferred, which represents -113.6% of Current Fund revenues less school tax deferrals.

SIZABLE SUBURBAN TAX BASE OUTSIDE PHILADELPHIA

We anticipate the township's above-average \$4.4 billion tax base will experience significant growth in coming fiscal years due major commercial, industrial, and residential projects in development and the township's proximity to Philadelphia (GO rated A2/stable outlook). The primarily residential community (74.8% of assessed value) is located in Burlington County (GO rated Aa2/stable outlook), 10 miles from Philadelphia and within commuting distance to that city and Trenton (GO rated A3/negative outlook), the state capital. Full value has experienced six-year average annual growth (2006-2011) of 1.8%, capturing some regional market appreciation as well as declines in fiscal 2009 (-0.9%) and fiscal 2011 (-3.5%), due to a softening of the housing market. A 2008 revaluation increased the assessed valuation from \$1.93 billion to \$4.73 billion, a 145% jump, and resulted in significant tax appeals from fiscal 2008 to 2011. The township currently has several major commercial and industrial tax appeals still outstanding, but Moody's expects these to be manageable because management maintains a \$1.6 million reserve for uncollected taxes and anticipates that the planned 2013 revaluation will limit the number of future appeals.

Also, the tax base is expected to benefit from significant commercial, industrial, and residential projects upon completion. New development within the township includes the Virtua ambulatory care facility, a 200,000 square foot, \$40 million new ratable that is expected to open in December 2012 and add between 300 and 350 new jobs. Additional developments include the construction of 122 age-restricted townhome units, with an estimated value of \$400,000 per unit; a 91,000 square foot, 124- bed skilled nursing facility; 27 new residential homes with estimated values ranging between \$700,000 and \$800,000; dining and entertainment expansion to the Moorestown Mall; and an 80,000 square foot office space addition to an existing office building located at 121 Whittendale Drive, which is expected to add 400 new jobs. All of these projects are approved or under construction.

Township officials report no major changes to the top 10 taxpayers, which account for 8.5% of assessed valuation. The township's above- average socioeconomic profile is reflected by per capita and median family incomes of 156% and 145% of state medians, respectively. The township's full value per capita is above- average at \$213,221.

DEBT SERVICE COMPRISES SIGNIFICANT PORTION OF TOWNSHIP BUDGET

Moody's expects Moorestown's debt position to remain manageable, despite the high percentage of the budget comprised by debt service, given 10-year principal amortization of 77.6% and the anticipated tax base expansion. Direct debt is low at 0.6% of equalized valuation after excluding obligations of the self-supporting water and sewer utilities. Overall debt burden grows to a moderately high 2.4% after including local school district and county debt.

Debt service, as a percentage of annual expenditures, is also high at 15.9%. The township contributes 100% of its ARC to the new Jersey PERS and PFRS pension plans, which are 64.9% and 70.8% funded, respectively. Fixed costs of debt service, pension ARC and OPEB payments summed to \$5.5 million or 15.4% of expenditures in fiscal 2011. The township's long-term debt plans include a \$20 million bond issue in fiscal 2013 for new library and town hall projects, as well as various smaller capital projects.

WHAT WOULD MAKE THE RATING GO UP

- Significant improvement in reserve levels
- Strengthening of the township's tax base and demographic profile

WHAT WOULD MAKE THE RATING GO DOWN

- Deterioration of reserves
- Weakening in the township's tax base or demographic profile

KEY STATISTICS:

2010 Population: 20,726 (+9% since 2000)

2011 Equalized value: \$4.4 billion

2011 Equalized value per capita: \$213,221

Per Capita Income as a % of State: 156%

Median Family Income as a % of State: 145%

Direct debt burden: 0.6%

Overall debt burden: 2.4%

2011 Current Fund balance: \$1.2 million (6.1% of Current Fund revenues)

Post-Sale Long-Term Debt Outstanding: \$28.5 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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