MOODY'S INVESTORS SERVICE

New Issue: Moody's assigns Aa2 rating to Borough of Haddonfield's (NJ) $14.8 million General Obligation Bonds

Global Credit Research - 21 Feb 2013

Affirms $24.7 million of outstanding parity debt, including current offering

HADDONFIELD (BOROUGH OF) NJ
Cities (including Towns, Villages and Townships)
NJ

Moody's Rating

ISSUE		RATING
General Improvement Bonds		Aa2
Sale Amount	$6,706,000	
Expected Sale Date	03/05/13	
Rating Description	General Obligation	
Water/Sewer Utility Bonds		Aa2
Sale Amount	$8,099,000	
Expected Sale Date	03/05/13	
Rating Description	General Obligation	

Moody's Outlook

Opinion

NEW YORK, February 21, 2013 --Moody's has assigned a Aa2 rating to the Borough of Haddonfield's (NJ) $14.8 million of General Obligation Bonds, consisting of $6.7 million General Improvement Bonds and $8.1 million Water and Sewer Utility Bonds. Concurrently, Moody's has affirmed the Aa2 rating on the borough's $9.9 million in outstanding parity debt. Proceeds from the current issue, secured by the borough's general obligation unlimited tax pledge, will permanently finance $12.1 million in maturing bond anticipation notes and provide $2.6 million in new money for various water and sewer utility improvements.

SUMMARY RATINGS RATIONALE

The Aa2 rating reflects the borough's mature and moderately-sized tax base with strong wealth levels, average debt burden, and solid financial position.

STRENGTHS

-High wealth levels

-Solid financial position

-Conservative management practices

CHALLENGES

-Limited developable land

-History of recent fund balance draw downs

SOLID FINANCIAL POSITION WITH REDUCED REALIANCE ON SCHOOL TAX DEFERRAL

Moody's expects that the borough's financial position will remain strong given taxpayer support for services and sound fiscal management. Positive financial operations in fiscal 2012 followed several years of fund balance draw downs. Declines in the Current Fund balance between 2007 and 2011 were driven by increased expenditure pressures, statutory levy raising limitations and declining revenues, including property taxes and state aid. By 2011, Current Fund balance declined to a still healthy 15.7% of Current Fund revenues ($2.17 million) from a stronger 27.6% of revenues in fiscal 2007. Positively, despite these draw downs, the borough did not increase the school tax deferral to help replenish the appropriated fund balance.

In fiscal 2012 (unaudited), the borough fully replenished the $1.7 million of appropriated reserves and added $284,000 to Current Fund balance, increasing fund balance to $2.4 million or 16.3% of unaudited Current Fund revenues. Primary sources of fund balance replenishment include stronger than anticipated property taxes and other miscellaneous revenues.

Fiscal 2012 was the sixth consecutive year that the borough did not increase its school levy deferral. Since fiscal 2007, officials have maintained the current deferred school levy amount at $14.2 million (48% of the maximum statutorily allowable 50% of school tax levy). The deferred amount represents an off-balance sheet liability which Moody's believes could create fiscal vulnerability in the event that school property taxes are reduced. Serving as a source of financial stability, the majority of the borough's revenue is derived from property taxes (73.5% in fiscal 2011), supported by a strong tax collection rate averaging 98.3% on a current basis.

AFFLUENT SUBURB OF PHILADELPHIA

Haddonfield's moderately-sized $2.2 billion tax base will likely remain stable given the affluent and built out nature of the suburban community. Located in Camden County (GO rated Aa2/stable outlook), eight miles east of Philadelphia (GO rated A2/stable outlook), the 2.1 square mile borough is primarily residential (89.3% assessed value) with residents commuting to Philadelphia and the surrounding areas for employment via PATCO, a high-speed train with a station in the borough, I -295 and the New Jersey Turnpike. Assessed valuation growth has averaged 16.8% from 2007 to 2012, reflective of a revaluation in 2008, while equalized valuation growth averaged a weaker 0.6%, capturing the recession and recent housing market recovery. Tax appeals do not pose a significant risk to borough finances as most successful appeals do not result in cash refunds, but rather an adjustment to the assessed value moving forward.

New development has resumed somewhat with the construction of an assisted living facility, which borough officials report will add approximately $20 million to the assessed valuation in 2014. Current growth primarily consists of tear downs of older housing stock replaced with new homes on the same site, as well as home additions. Income levels are high at roughly twice the national medians and one and one-half times state medians, with equalized value per capita at a strong $190,094 (212.7% of the US median).

AVERAGE DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

The borough's debt position will likely remain manageable given limited future borrowing plans. The borough's direct debt burden is an above-average at 1.1% of equalized valuation when including water and sewer utility debt, which currently relies on reserves to fund operations and debt service. The debt burden increases to 2.5% when accounting for the borough's pro rata share of overlapping county and school district debt obligations. Debt service comprised a moderate 8.6% of 2011 operating expenditures, reflecting the below average amortization of principal (68.2% retired in 10 years). The borough does not expect to issue additional debt within the next three years, but may finance water and sewer improvements in 2019 with $5 to $6 million of general obligation bond anticipation notes or bonds. The borough funds 100% of its annually required pension contributions ($890,000 in 2011), which constitute a manageable 6.5% of 2011 Current Fund revenues, and funds its OPEB unfunded actuarially accrued liability of $37.5 million, on a pay-go basis.

WHAT COULD MAKE THE RATING GO UP

- Trend of increased and maintained liquidity and reserve levels

- Material growth of the borough's equalized valuation

-Improved water and sewer utility operations with reduced reliance on reserves

WHAT COULD MAKE THE RATING GO DOWN

- Weakening of the borough's Current Fund balance

- Significant narrowing of cash balance

- Deterioration of tax base

KEY STATISTICS:

2010 Population: 11,593 (0.6% decrease since 2000)

2012 Equalized value: $2.2 billion

2012 Equalized value per capita: $190,094

2010 Per Capita Income as % of NJ and US: 160.5% and 204.7%)

2010 Median Family Income as % of NJ and US: 152.1% and 205%)

Direct debt burden: 1.1%

Overall debt burden: 2.5%

Payout of principal (10 years): 68.10%

2011 Current Fund balance: $2.1 million (15.7% of Current Fund revenues)

2012 Current Fund balance (unaudited): $2.4 million (16.3% of Current Fund revenues)

Post-sale Parity Debt Outstanding: $24.7 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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Analysts

Josellyn Yousef
Lead Analyst
Public Finance Group
Moody's Investors Service

Julie Beglin
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

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