

Rating Action: Moody's affirms the A2 rating for the Borough of Washington's (NJ) General Obligation bonds; removes the negative outlook

Global Credit Research - 06 Mar 2013

A2 rating applies to \$9.5 million rated G. O. debt outstanding

New York, March 06, 2013 -- Moody's Investors Service has affirmed the A2 rating for the Borough of Washington's, NJ general obligation bonds, affecting \$9.5 million of outstanding rated debt. The bonds are secured by the unlimited property tax pledge of the borough.

SUMMARY RATING RATIONALE

The A2 rating reflects the modestly-sized \$515 million tax base with above average resident wealth levels, adequate finances, and above average debt burden. The rating also incorporates improved and structurally balanced operations over the past three years that resulted in satisfactory \$680,000 fund balance (or 9.99% of revenues) in 2011 from a narrow \$39,000 (or 0.69% of revenues) in 2008. The removal of the negative outlook reflects new management's ability to conservatively manage budgetary pressures, which resulted in improved liquidity and reserves. Borough officials anticipate a \$720,000 surplus that brings the Current Fund balance to \$1.4 million (or 20% of revenues) in 2012.

STRENGTHS

- Strong management practices that resulted in three consecutive years of structural balanced operations
- Sizable reserves available for Current Fund operations
- Above average resident wealth levels

CHALLENGES

- Modest tax base experiencing declining values
- High debt burden with recent reliance on TANs albeit diminishing

WHAT COULD MAKE THE RATING GO UP

- Trend of increased and maintained reserve levels
- Material growth of the borough's equalized valuation

WHAT COULD MAKE THE RATING GO DOWN

- Inability to meet projected 2012 liquidity and reserve levels that result in a weakening of the borough's Current Fund balance
- Material deterioration of the borough's tax base and/or resident wealth levels

RATING METHODOLOGY

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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