MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa2 rating to the Borough of Cresskill's (NJ) $4.78 million General Improvement Bonds, Series 2013

Global Credit Research - 22 Feb 2013

Affirms Aa2 rating on approximately $11 million of outstanding parity debt including the current sale

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

Moody's Rating

ISSUE		RATING
General Improvement Bonds, 2013		Aa2
Sale Amount	$4,780,000	
Expected Sale Date	02/27/13	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, February 22, 2013 --Moody's Investors Service has assigned a Aa2 rating to the Borough of Cresskill's (NJ) $4.78 million General Improvement Bonds, Series 2013. Concurrently, Moody's has affirmed the Aa2 rating on approximately $11 million of outstanding parity debt including the current sale. The bonds are secured by the borough's General Obligation unlimited tax pledge. Proceeds from this issue will be used to redeem the borough's outstanding Bond Anticipation Notes as well as fund $1.2 million of new capital projects.

SUMMARY RATINGS RATIONALE

The Aa2 rating reflects the borough's moderately sized, affluent tax base supported by significant wealth; a modest debt burden that is likely to remain low given rapid principal amortization and moderate capital needs; and a stabilized financial position after several years of draws on reserves.

STRENGTHS

-Strong tax base supported by above-average wealth levels

-Modest debt burden that is likely to remain low

CHALLENGES

-Small tax base size relative to peers

- Recent history of reliance on school tax deferrals to maintain balanced budgets

DETAILED CREDIT DISCUSSION

RECENT IMPROVEMENT IN PERFORMANCE LEADS TO HEALTHIER FINANCIAL POSITION

Moody's anticipates the borough's financial position will remain stable going forward given significant improvements in operations in fiscal 2012. The borough's finances became modestly stressed beginning in fiscal 2007. It drew from fund balance for five straight years, the largest draw of $390,000 coming in fiscal 2008. After the fifth draw in fiscal 2011, the borough's fund balance reached a low of $1.4 million, or 9.44% of revenues, slightly below peers at the current rating category.

Further, these results included a $300,000 increase in deferred school tax distributions in fiscal 2009, 2010, and 2011.

Unaudited fiscal 2012 financial statements filed with the state showed a dramatic improvement. The borough added to fund balance for the first time since fiscal 2006, adding $183,909 and bringing the fund balance to $1.59 million, or 11.07% of revenues. The addition to fund balance was accomplished without an increase in school tax deferrals.

The improvement arose from an increase in statutory surplus, driven by increases in property tax receipts and unexpended balances of appropriation reserves, which are caused by under-spending appropriations. Demonstrating willingness, borough officials have raised the tax rate incrementally in order to increase the property tax levy. We expect the borough to replenish more of its fund balance appropriations going forward given improved performance of property tax receipts and greater levels of reserve appropriations.

AFFLUENT, MODERATELY SIZED ECONOMIC BASE

The borough's suburban, mostly residential tax base is affluent. The median family income in the borough is equal to a very strong 203.8% of the U.S. median, while per capita income is equal to 206.6% of the U.S. median.

Although the housing downturn hurt the tax base, with equalized value down 23% since 2008, the tax base still exhibits socio-economic characteristics well above state medians. Equalized value per capita is equal to a very high $240,390, and the median home value as of 2000 equaled 235% of the U.S. median.

The borough faces no issues with taxpayer concentration as bulk of the tax base is individual homeowners. We believe the borough will continue to benefit from its location in Bergen County (G.O. rated Aaa/Stable) with access to New York City (Aa2/Stable) and other regional employment centers.

MANAGEABLE DEBT BURDEN

Moody's expects the borough's direct debt burden, which is equal to 0.5% of equalized value, to remain modest. The borough's three-year capital plan lists $4.2 million of projects and is mostly debt-funded. Meanwhile, the borough is scheduled to repay roughly $1 million of principal annually, implying little if any addition to the debt burden. The borough's principal amortizes fairly rapidly, with roughly 86.8% of principal scheduled to be repaid within the next 10 years. Debt service is equal to an average 8.9% operating expenditures, and with the addition of pension ARC payments, fixed costs sum to about 14% of operating expenditures.

WHAT COULD MAKE THE RATING GO UP

-Sustained growth in reserves

-Continued expansion of statutory surplus

WHAT COULD MAKE THE RATING DOWN

-Significant erosion in the borough's tax base

- Resumption of fund balance drawdowns leading to reserve levels significantly lower than peers'

KEY STATISTICS

2010 Population: 8,573 (10/7% increase from 2000)

2013 Full valuation: $2.1 billion

2013 Full value per capita: $240,390

Per capita income: 162% of state, 206.6% of US

Median family income: 151.2% of state, 203.8% of US

Direct debt burden: 0.5% of full value

Overall debt burden: 1.9% of full value

Payout of principal (10 years): 85.2%

FY 2011 Current Fund balance: $1.4 million (9.44% of revenues)

FY 2012 Current Fund balance (unaudited): $1.6 million (11.1% of revenues)

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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