

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns MIG 1 to New Providence, NJ's note

08 Jul 2024

New York, July 08, 2024 -- Moody's Ratings (Moody's) has assigned a MIG 1 rating to the Borough of New Providence, NJ's proposed \$9.0 million Bond Anticipation Note, Series 2024 (Bank-Qualified) (Non-Callable). We maintain the borough's Aaa issuer rating and the Aaa ratings on its outstanding general obligation unlimited tax (GOULT) bonds. Following the issuance, the borough will have an estimated \$22.6 million of debt outstanding.

RATINGS RATIONALE

The Aaa issuer rating reflects the borough's favorable location near New York City (Aa2 stable) and its stable local economy with high resident wealth and income levels. The borough is largely built out with only modest growth in its tax base; five-year compound annual growth rate in equalized value was 4.4% from 2019 to 2024. The rating also reflects the borough's strong and stable financial position. As of year-end 2023, the borough had an adjusted available fund balance of \$11.8 million, translating to a strong 47.2% of its revenue. As for 2024, operations are tracking close to budget and management expects to replenish utilized fund balance in full and hold reserves stable. Furthermore, the rating incorporates the borough's manageable long-term liabilities and fixed costs.

The absence of distinction between the issuer and GOULT ratings reflects the borough's general obligation full faith and credit pledge as well as an unlimited property tax that is payable to debt service.

The MIG 1 rating reflects the borough's strong underlying credit quality (reflected in its Aaa long-term rating) and demonstrated history of market access.

RATING OUTLOOK

We do not assign outlooks to local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decrease in the available fund balance ratio to 30% or lower
- Increase in the long-term liabilities ratio to 400% or higher

LEGAL SECURITY

The notes are general obligations of the borough payable as to principal and interest from ad valorem taxes to be levied upon all taxable real property in the borough without limitation as to rate or amount.

USE OF PROCEEDS

The notes are being issued to refund the borough's \$9.0 million Bond Anticipation Note, issued on July 26, 2023 and maturing on July 26, 2024.

PROFILE

New Providence, NJ is a high-wealth suburb of New York City with a population of approximately 13,595.

METHODOLOGY

The principal methodology used in this rating was US Municipal Short-term Debt Methodology published in May 2023 and available at <https://ratings.moodys.com/rmc-documents/398329>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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