

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns MIG 1 to the Borough of Carlstadt, NJ's notes

14 Apr 2025

New York, April 14, 2025 -- Moody's Ratings (Moody's) has assigned a MIG 1 rating to the Borough of Carlstadt, NJ's proposed \$18.5 million Bond Anticipation Notes (Non-Callable). We maintain the borough's A2 issuer rating and the A2 rating on its outstanding general obligation unlimited tax (GOULT) bonds. Following the issuance, the borough will have an estimated \$31.6 million in total debt outstanding.

RATINGS RATIONALE

The A2 issuer rating reflects the borough's improving financial position after weakening from 2015 to 2020 largely due to tax appeals that narrowed reserves; most of the tax appeals have since been resolved. As of year-end 2023, the borough's available fund balance was \$4.3 million or an adequate 15.6% of revenue. Unaudited 2024 figures show the available fund balance growing to \$6.3 million, or 19.7% of revenue. However, \$949,200 of this is reserved for tax appeal payments, expected to be depleted once the borough's largest remaining tax appeal is resolved. Absent the reserve for tax appeals, the borough's available fund balance ratio is 16.5%. The rating also reflects the borough's favorable location near New York City, NY (Aa2 stable) and its stable local economy. Despite being largely built out, the borough has seen solid growth in its tax base, realizing a five year compound annual growth rate in full value of 6.6%. Furthermore, the rating incorporates the borough's above-average long-term liabilities and moderate fixed costs. Future reviews of the borough's credit profile will focus on its ability to continue improving its reserve position to an available fund balance ratio of 20% or higher.

The MIG 1 rating on the BANs reflects the borough's underlying credit quality, reflected in its A2 issuer rating.

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

- Increase in the available fund balance ratio to 20% or higher
- Decrease in the long-term liabilities ratio to 200% or lower

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Sustained draws on reserves and decrease in the available fund balance ratio to 10% or lower
- Increase in the long-term liabilities ratio to 450% or higher
- Significant contraction of the local economy
- Downgrade of the issuer rating to A3 or below (short-term rating)

LEGAL SECURITY

Debt service on the borough's notes is backed by the pledge of its full faith and credit and legal obligation to levy ad valorem tax on all taxable property for the payment of debt service without limit as to rate or amount.

USE OF PROCEEDS

Proceeds from the notes will be used to currently refund \$14.2 million of the borough's Bond Anticipation Note maturing on May 2, 2025 and to provide \$4.3 million in new money to temporarily finance various capital projects.

PROFILE

Carlstadt is a mixed commercial and residential community in northern New Jersey within commuting distance of New York City. It has a population of just under 6,343 residents as of the 2023 American Community Survey.

METHODOLOGY

The principal methodology used in this rating was US Municipal Short-term Debt published in October 2024 and available at <https://ratings.moodys.com/rmc-documents/430699>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

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