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Summary:
Woodland Park Borough, New Jersey; Note

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Summary:

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Credit Profile		
US$11.95 mil BANs dtd 04/30/2025 due 04/30/2026		
Short Term Rating	SP-1+	New

Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' short-term rating on Woodland Park Borough, N.J.'s $11.95 million series 2025 bond anticipation notes (BANs).

Security

Woodland Park's full-faith-and-credit pledge, including the requirement to levy ad valorem taxes on all taxable property within the borough's borders, without limitation as to rate or amount, secures the BANs.

The short-term rating reflects our high investment-grade, long-term rating on the borough and its low market-risk profile. In our view, and in accordance with our criteria, "Bond Anticipation Note Rating Methodology," published Aug. 31, 2011, we have assessed the borough's market risk as low because of its market access, information availability, and takeout authorization.

Proceeds from the notes will be used to roll over a portion of the borough's BANs outstanding and provide new money financing for various capital projects.

Credit overview

The rating reflects our view of Woodland Park's ample property tax base with robust household income and economy that continue to grow. The borough has maintained balanced finances most fiscal years and robust reserves that exhibited growth in fiscal 2024; we expect it will likely continue to properly align revenue and expenditures. However, we think large retirement liabilities could pose a long-term budgetary challenge that will likely continue to somewhat constrain the rating.

The rating also reflects our opinion of Woodland Park's:

- Stable, diverse economy with economic indicators stronger than Passaic County's, benefiting from access to the New York City metropolitan statistical area (MSA);
- Historically stable, healthy finances with a recent planned use of reserves to align available reserves with historical levels and goals;
- Conservative management, including regular reporting of budget-to-actual results to the borough board; adherence to state requirements for investments; and debt issuance with no formal long-term financial planning, debt-management policies, or reserve-and-liquidity policies--the borough is also taking measures to mitigate cybersecurity risk; and

- Moderate liabilities outstanding with the potential for escalating fixed costs due to poorly funded pension and other postemployment benefit (OPEB) liabilities.
- The operating environment for New Jersey local governments is generally predictable and stable. Woodland Park has a weaker transparency-and-accountability assessment than the published assessment because its financial reports are not audited and are not Governmental Accounting Standards Board compliant. (For more information on our institutional framework assessment for New Jersey municipalities, see "Institutional Framework Assessment: New Jersey Local Governments," published Sept. 9, 2024, on RatingsDirect.)

Environmental, social, and governance

We have analyzed environmental, social, and governance factors relative to Woodland Park's economy, budgetary outcomes, management, and debt-and-liability profile; we view them all as neutral in our credit analysis. We consider the state's governance of its pension plans and lack of a mechanism to prefund OPEB a weakness for all New Jersey local governments.

Credit Opinion

Economy

Residents of Woodland Park and other surrounding communities benefit from closer access to New York City with direct access to jobs throughout the New York and northern New Jersey MSA compared with western Passaic County. The primarily residential borough is a built-out community, about 20 miles west of New York City. The county's economic activity is weaker than the nation, which constrains our view of the borough's economic profile. However, the strength of Woodland Park's income relative to county and national levels reflects these opportunities. In addition, the borough benefits from a strong tax base that generates a majority of general fund revenue; the tax base has grown recently due to multiunit residential development.

Financial performance, reserves, and liquidity

Finances have been stable, supporting near-high reserves. The borough has produced surplus results in most recent fiscal years because of conservative budgeting and higher-than-expected investment income and miscellaneous revenue. Management had previously indicated an expectation of drawing down reserves by about $400,000 in fiscal 2023 as a planned use of fund balance because reserves were at an all-time high; however, audited fiscal 2023 results indicate an $800,000 drawdown due to the intentional use of reserves and construction-fee revenue that fell short of budgeted estimates, decreasing the fund balance to about $2.7 million, which remains high relative to historical levels.

The fiscal 2024 budget included a $1.7 million fund-balance appropriation, a revised estimate of construction-fee revenue, and a tax increase to offset higher benefit-and-compensation costs. Unaudited results reflect increased fund balance, increasing available reserves to $2.9 million. The borough plans to maintain reserves at least at $2.0 million-$2.5 million, or 10%-13% of the budget, in line with what it had averaged before fiscal 2022. The borough's 2025 budget will be adopted as a level service budget with some open positions left unfilled. While they will include an additional fund balance appropriation, we expect the borough's reserves will remain at least $2 million during the outlook period.

Management

Woodland Park's realistic assumptions when budgeting supports a history of balanced operations. While management informally considers long-time financial trends, we view its long-term planning practices as less robust than those of higher-rated peers.

Highlights include management's:

- Standard budgeting practices with cautious revenue estimates and a bimonthly budget-to-actual review by elected officials--in our view, budgeting practices have ensured historically predictable operating results;
- Limited forward-looking planning relative to that of higher-rated peers with a basic six-year capital plan updated annually as part of the budgeting process that does not itemize projects or identity funding, coupled with no long-term financial forecasting, which we think limits the borough's ability to identify and prepare for future challenges; and
- Adherence to a cash-management plan that outlines permitted investments but no formal debt-management or reserve policies.

Debt and liabilities

Woodland Park currently has about $21 million of direct debt outstanding. We understand officials currently plan to finance BANs permanently in 2027 with about $5 million of new money.

Despite recently improved state-pension-system funding, we expect costs could increase and present future budgetary pressure, depending on the state's adherence to its pension-funding schedule. (For more details, see "Pension Spotlight: New Jersey," published June 21, 2022.)

The borough participates in the following state-administered plans:

- New Jersey Police & Firemen's Retirement System, which is 65% funded, with a proportionate share of the net pension liability equal to $10.5 million; and
- New Jersey Public Employees' Retirement System, which is 48% funded, with a proportionate share of the net pension liability equal to $5.9 million.

Woodland Park also has an OPEB liability equal to $50.4 million, which it funds on a pay-as-you-go basis.

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Table 2

Woodland Park Borough, New Jersey-key credit metrics

	Most recent	2023	2022	2021
Economy				
Real GCP per capita % of U.S.	--	64	64	65
County PCPI % of U.S.	--	86	87	90
Market value ($000s)	--	2,325,381	2,184,885	2,029,682
Market value per capita ($)	--	172,942	172,133	166,613
Top 10 taxpayers % of taxable value	--	13.6	13.0	13.4
County unemployment rate (%)	--	5.3	4.8	8.7
Local median household EBI % of U.S.	--	117	122	121
Local per capita EBI % of U.S.	--	115	124	126
Local population	--	13,446	12,693	12,182
Financial performance				
Operating fund revenues ($000s)	--	20,485	21,090	21,810
Operating fund expenditures ($000s)	--	21,471	20,041	21,332
Net transfers and other adjustments ($000s)	--	100	--	--
Operating result ($000s)	--	(886)	1,049	478
Operating result % of revenues	--	(4.3)	5.0	2.2
Operating result three-year average %	--	0.9	2.2	(0.3)
Reserves and liquidity				
Available reserves % of operating revenues	--	13.2	17.1	8.7
Available reserves ($000s)	--	2,711	3,597	1,898
Debt and liabilities				
Debt service cost % of revenues	--	10.1	8.9	8.1
Net direct debt per capita ($)	1,562	1,663	1,732	1,795
Net direct debt ($000s)	21,005	22,355	21,980	21,863
Direct debt 10-year amortization (%)	100	44	--	--
Pension and OPEB cost % of revenues	--	12.0	11.0	10.0
NPLs per capita ($)	--	1,219	912	1,394
Combined NPLs ($000s)	--	16,384	11,582	16,979

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.