

New Providence, New Jersey

General Obligation Bonds New Issue Report

Ratings**New Issue**

General Improvement Bonds, 2012 AAA

Outstanding Debt

General Obligation Bonds

AAA

Rating Outlook

Stable

New Issue Details

Sale Information: \$8,910,000 General Improvement Bonds, 2012, scheduled to sell competitively on May 10.

Security: Unlimited tax general obligation.

Purpose: Capital improvements and refunding of outstanding bond anticipation notes.

Final Maturity: May 15, 2027.

Key Rating Drivers

Strong Financial Condition: New Providence's financial condition is very sound as a result of management's prudent budgeting practices and maintenance of ample reserve levels, providing the borough with a high degree of financial flexibility.

Stable and Diverse Tax Base: The borough's tax base has been stable the past five years, with new growth offset by commercial appeals activity. Although primarily a residential tax base, the top 10 taxpayers are diverse and include a number of major corporations.

Strong Socioeconomic Indicators: The borough benefits from its location within commuting distance of major employment areas. Residents are well-educated professionals and exhibit above-average wealth levels.

Very Manageable Debt Levels: Overall debt levels are moderate and the borough's pension and OPEB liabilities are manageable.

Related Research

Fitch Rates New Providence, NJ's GO Bonds 'AAA'; Outlook Stable, May 7, 2012

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Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Assigned	Stable	5/7/12

Credit Profile**Well-Located Community with Above-Average Wealth Levels**

New Providence is located in Union County, 15 miles from downtown Newark and 28 miles west of New York City. The borough has a population of 12,171 and its residents are primarily working professionals who commute to nearby employment areas including Morristown, Newark, and New York City. Income levels are above average, with a 2010 median household income of \$113,542 (168% of state and 227% of national levels) and per capita income of \$53,564 (160% of state and 206% of national levels).

Stable and Diverse Tax Base

New Providence boasted a 2011 market value of \$2.6 billion, translating into a high \$209,576 market value per capita, additional evidence of the high wealth levels. The borough's tax base has remained relatively stable over the past five years, with new growth offset by appeals settlements primarily with some of the borough's corporate taxpayers as a result of the recessionary period the past few years.

The top 10 taxpayers represent a moderate 9.6% of the tax base and consist of a number of major corporations that have headquarters or executive offices in the borough. The largest taxpayer at 1.6% is The B.O.C. Group, Inc., a division of Linde Group, a worldwide leading gases and engineering company. Other major taxpayers include C.R. Bard (healthcare products), LexisNexis Martindale-Hubbell (publishing and information), and Alcatel-Lucent.

Financial Summary

(\$000, Years Ended Dec. 31)

	2009	2010	2011
Property Tax	11,231	11,536	11,832
Miscellaneous Revenues Anticipated	3,680	4,297	3,324
Nonbudget Revenues	240	180	204
Unexpended Appropriation Reserves	366	370	335
Other	5	16	3
Total Municipal Revenues	15,521	16,399	15,698
County, School, Open Space and Special District Tax Passed Through	39,685	41,445	42,958
Total Revenues	55,206	57,844	58,656
Salaries and Wages	5,475	5,420	5,547
Other Expenses	6,938	7,149	6,717
Municipal Deferred Charges and Statutory Expenditures	1,179	1,222	1,446
Capital Improvement Fund	210		240
Municipal Debt Service	1,837	2,138	1,872
Other Expenses	—	4	2
Total Municipal Expenses	15,638	15,933	15,824
County, School, Open Space, and Special District Tax Passed Through	39,685	41,445	42,958
Total Expenditures	55,323	57,378	58,782
Operating Surplus/(Deficit)	(117)	466	(126)
Transfers Out	—	—	203
Net Operating Surplus/(Deficit) after Transfers	(117)	466	(329)
Total Fund Balance	2,324	2,791	2,462
As a % of Expenditures and Transfers Out	14.9	17.5	15.6
Undesignated, Unreserved Fund Balance	2,324	2,791	2,462
As a % of Expenditures and Transfers Out	14.9	17.5	15.6

Note: Numbers may not add due to rounding.

Related Criteria

Tax-Supported Rating Criteria, Aug. 15, 2011

U.S. Local Government Tax-Supported Rating Criteria, Aug. 15, 2011

Strong Financial Condition

The borough has maintained healthy reserve levels for the past five years as a result of conservative financial policies and budgeting practices. The borough's current fund balance was \$2.46 million at the close of fiscal 2011, equivalent to 15% of operating expenditures of \$16 million. Although 2011 fund balance declined by \$329,000, the reduction reflected a \$200,000 transfer to the borough's capital and grant fund. This amount has been credited back in fiscal 2012 due to receipt of bond proceeds.

The borough also prudently maintains special reserves pursuant to its financial policies that totaled \$613,000 at fiscal year-end 2011. These funds were established for typically volatile expenditure items such as snow removal and unanticipated tax appeals. A capital surplus fund totaling \$350,000 at year end is also available to support operations if not used for capital purposes. These funds, combined with the borough's current fund, total \$3.4 million, or 21% of operating expenditures providing the borough with ample financial flexibility.

Low Debt Levels with Rapid Amortization

Direct debt levels are low at 0.6% of market value and \$1,214 per capita. Debt levels are more moderate with the inclusion of overlapping Union County and school district debt at 1.9% of market value and \$3,948 per capita. Debt amortization, including the 2012 bonds, is rapid with 79% of par amortized in 10 years. Scheduled debt service of \$1.6 million in 2011 equaled a moderate 10% of operations. Debt service as a percentage of the borough's budget is forecast to remain level even with this new issue since a large portion of the borough's outstanding debt matures in 2013.

Debt Statistics

This Issue	8,910
Outstanding Direct Debt	5,850
Self-Supporting	0
Total Net Direct Debt	14,760
Overlapping Debt	33,285
Total Overall Debt	48,045

Debt Ratios

Net Direct Debt Per Capita (\$) ^a	1,214
As % of Market Value ^b	0.6
Overall Debt Per Capita (\$) ^a	3,948
As % of Market Value ^b	1.9

^aPopulation: 12,171 (2010). ^bMarket value: \$2,550,758,000 (2011). Note: Numbers may not add due to rounding.

Future capital needs are limited but include some capital and infrastructure needs with debt likely to be issued in the next two years. Debt policies in place provide for rapid amortization and maintenance of level debt service costs, which Fitch finds favorable.

Manageable Pension and OPEB Liabilities

The bulk of the borough's employees participate in either of the state operated Police and Firemen's Retirement System or the Public Employees' Retirement System. The borough's contributions, which are actuarially determined by the state, totaled \$993,854 in fiscal 2011 and equaled a manageable 6% of current fund expenditures.

The borough's other post-employment benefit obligations are not material due to the borough's stringent requirements for eligibility. The borough paid \$17,540 in annual costs last year.

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