New Issue: Moody’s assigns Aa2 rating to Borough of Haddonfield’s (NJ) $14.8 million General Obligation Bonds

Global Credit Research - 21 Feb 2013

Affirms $24.7 million of outstanding parity debt, including current offering

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

Moody's Rating

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Improvement Bonds</td>
<td>Aa2</td>
</tr>
<tr>
<td>Sale Amount</td>
<td>$6,706,000</td>
</tr>
<tr>
<td>Expected Sale Date</td>
<td>03/05/13</td>
</tr>
<tr>
<td>Rating Description</td>
<td>General Obligation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water/Sewer Utility Bonds</th>
<th>Aa2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Amount</td>
<td>$8,099,000</td>
</tr>
<tr>
<td>Expected Sale Date</td>
<td>03/05/13</td>
</tr>
<tr>
<td>Rating Description</td>
<td>General Obligation</td>
</tr>
</tbody>
</table>

Moody's Outlook

Opinion

NEW YORK, February 21, 2013 --Moody's has assigned a Aa2 rating to the Borough of Haddonfield's (NJ) $14.8 million of General Obligation Bonds, consisting of $6.7 million General Improvement Bonds and $8.1 million Water and Sewer Utility Bonds. Concurrently, Moody's has affirmed the Aa2 rating on the borough's $9.9 million in outstanding parity debt. Proceeds from the current issue, secured by the borough's general obligation unlimited tax pledge, will permanently finance $12.1 million in maturing bond anticipation notes and provide $2.6 million in new money for various water and sewer utility improvements.

SUMMARY RATINGS RATIONALE

The Aa2 rating reflects the borough's mature and moderately-sized tax base with strong wealth levels, average debt burden, and solid financial position.

STRENGTHS

- High wealth levels
- Solid financial position
- Conservative management practices

CHALLENGES

- Limited developable land
- History of recent fund balance draw downs
Moody's expects that the borough's financial position will remain strong given taxpayer support for services and sound fiscal management. Positive financial operations in fiscal 2012 followed several years of fund balance draw downs. Declines in the Current Fund balance between 2007 and 2011 were driven by increased expenditure pressures, statutory levy raising limitations and declining revenues, including property taxes and state aid. By 2011, Current Fund balance declined to a still healthy 15.7% of Current Fund revenues ($2.17 million) from a stronger 27.6% of revenues in fiscal 2007. Positively, despite these draw downs, the borough did not increase the school tax deferral to help replenish the appropriated fund balance.

In fiscal 2012 (unaudited), the borough fully replenished the $1.7 million of appropriated reserves and added $284,000 to Current Fund balance, increasing fund balance to $2.4 million or 16.3% of unaudited Current Fund revenues. Primary sources of fund balance replenishment include stronger than anticipated property taxes and other miscellaneous revenues.

Fiscal 2012 was the sixth consecutive year that the borough did not increase its school levy deferral. Since fiscal 2007, officials have maintained the current deferred school levy amount at $14.2 million (48% of the maximum statutorily allowable 50% of school tax levy). The deferred amount represents an off-balance sheet liability which Moody's believes could create fiscal vulnerability in the event that school property taxes are reduced. Serving as a source of financial stability, the majority of the borough's revenue is derived from property taxes (73.5% in fiscal 2011), supported by a strong tax collection rate averaging 98.3% on a current basis.

AFFLUENT SUBURB OF PHILADELPHIA

Haddonfield's moderately-sized $2.2 billion tax base will likely remain stable given the affluent and built out nature of the suburban community. Located in Camden County (GO rated Aa2/stable outlook), eight miles east of Philadelphia (GO rated A2/stable outlook), the 2.1 square mile borough is primarily residential (89.3% assessed value) with residents commuting to Philadelphia and the surrounding areas for employment via PATCO, a high-speed train with a station in the borough, I-295 and the New Jersey Turnpike. Assessed valuation growth has averaged 16.8% from 2007 to 2012, reflective of a revaluation in 2008, while equalized valuation growth averaged a weaker 0.6%, capturing the recession and recent housing market recovery. Tax appeals do not pose a significant risk to borough finances as most successful appeals do not result in cash refunds, but rather an adjustment to the assessed value moving forward.

New development has resumed somewhat with the construction of an assisted living facility, which borough officials report will add approximately $20 million to the assessed valuation in 2014. Current growth primarily consists of tear downs of older housing stock replaced with new homes on the same site, as well as home additions. Income levels are high at roughly twice the national medians and one and one-half times state medians, with equalized value per capita at a strong $190,094 (212.7% of the US median).

AVERAGE DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

The borough's debt position will likely remain manageable given limited future borrowing plans. The borough's direct debt burden is an above-average at 1.1% of equalized valuation when including water and sewer utility debt, which currently relies on reserves to fund operations and debt service. The debt burden increases to 2.5% when accounting for the borough's pro rata share of overlapping county and school district debt obligations. Debt service comprised a moderate 8.6% of 2011 operating expenditures, reflecting the below average amortization of principal (68.2% retired in 10 years). The borough does not expect to issue additional debt within the next three years, but may finance water and sewer improvements in 2019 with $5 to $6 million of general obligation bond anticipation notes or bonds. The borough funds 100% of its annually required pension contributions ($890,000 in 2011), which constitute a manageable 6.5% of 2011 Current Fund revenues, and funds its OPEB unfunded actuarially accrued liability of $37.5 million, on a pay-go basis.

WHAT COULD MAKE THE RATING GO UP

- Trend of increased and maintained liquidity and reserve levels
- Material growth of the borough's equalized valuation
- Improved water and sewer utility operations with reduced reliance on reserves

WHAT COULD MAKE THE RATING GO DOWN
- Weakening of the borough’s Current Fund balance
- Significant narrowing of cash balance
- Deterioration of tax base

**KEY STATISTICS:**

2010 Population: 11,593 (0.6% decrease since 2000)
2012 Equalized value: $2.2 billion
2012 Equalized value per capita: $190,094
2010 Per Capita Income as % of NJ and US: 160.5% and 204.7%)
2010 Median Family Income as % of NJ and US: 152.1% and 205%)

Direct debt burden: 1.1%
Overall debt burden: 2.5%
Payout of principal (10 years): 68.10%
2011 Current Fund balance: $2.1 million (15.7% of Current Fund revenues)
2012 Current Fund balance (unaudited): $2.4 million (16.3% of Current Fund revenues)
Post-sale Parity Debt Outstanding: $24.7 million

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.

**REGULATORY DISCLOSURES**

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody’s rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider’s credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody’s legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

**Analysts**

Josellyn Yousef
Lead Analyst
Public Finance Group
Moody’s Investors Service

Julie Beglin
Additional Contact
Public Finance Group
Moody’s Investors Service
interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY’S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.