

Summary:

Robbinsville Township (Mercer County), New Jersey; General Obligation; Note

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Table Of Contents

Rationale

Outlook

Related Research

Summary:

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Credit Profile

US\$8.855 mil GO bnds ser 2019 due 07/15/2034		
<i>Long Term Rating</i>	AA+/Stable	New
US\$7.91 mil BANs ser 2019A due 07/22/2020		
<i>Short Term Rating</i>	SP-1+	New
US\$0.855 mil BANs ser 2019B due 07/22/2020		
<i>Short Term Rating</i>	SP-1+	New
Robbinsville Twp (Mercer Cnty) GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' long-term rating and stable outlook to Robbinsville Township (Mercer County), N.J.'s series 2019 general obligation (GO) bonds and affirmed its 'AA+' long-term rating, with a stable outlook, on the township's existing GO debt

S&P Global Ratings also assigned its 'SP-1+' short-term rating to the township's series 2019A and 2019B bond anticipation notes (BANs).

The short-term rating reflects our opinion the township will likely maintain very strong capacity to pay principal and interest when the BANs come due. Robbinsville has a low market-risk profile because of its strong legal authority to issue long-term debt to take out the BANs. In addition, the frequent debt issuer regularly provides disclosure to market participants.

The township's full-faith-and-credit pledge and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the bonds and BANs.

Officials intend to use series 2019 bond proceeds to refund BANs and provide new money for capital ordinance. They also plan to use series 2019A BAN proceeds to current refund two BANs maturing July 24, 2019, and series 2019B BAN proceeds to fund capital ordinance.

The affirmation reflects our opinion of Robbinsville's growing property tax base with equal access to the New York City and Philadelphia metropolitan statistical area (MSA). What we consider conservative budgeting and strong revenue collection bolster Robbinsville's stable and steady budgetary performance. What we consider very strong budgetary flexibility and liquidity support a credit with very weak debt as the township continues to expand and grow.

The rating reflects our opinion of Robbinsville's:

- Very strong economy, with access to a broad and diverse MSA;
- Adequate management, with standard financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with operating results we expect could deteriorate in the near term relative to fiscal 2017, which closed with operating surpluses in the general fund and at the total governmental-fund level;
- Very strong budgetary flexibility, with available fund balance in fiscal 2017 at 21% of operating expenditures;
- Very strong liquidity, with total government available cash at 29.5% of total governmental-fund expenditures and 139.8% governmental debt service, and access to external liquidity we consider strong;
- Very weak debt-and-contingent-liability position, with debt service carrying charges at 21.1% of expenditures and net direct debt that is 251.7% of total governmental-fund revenue, as well as a large pension and other-postemployment-benefits (OPEB) obligation; and
- Strong institutional framework score.

Very strong economy

We consider Robbinsville's economy very strong. The township, with an estimated population of 14,357, is in Mercer County in the Trenton MSA, which we consider broad and diverse. The township has a projected per capita effective buying income at 187% of the national level and per capita market value of \$190,379. Overall, market value grew by 6.1% during the past year to \$2.7 billion in fiscal 2018. County unemployment was 3.7% in 2018.

The township is roughly one hour from New York and Philadelphia with major highways such as the New Jersey Turnpike and Interstate 195 crossing through the area. Its convenient location has made it attractive for many large companies to house warehouse operations. Robbinsville boasts about 12 million square feet of warehouse space with 98% occupancy. Amazon recently opened its megawarehouse; other warehouse tenants include many big-name companies such as LongChamp USA, Mercedes Benz, and Global International.

In addition to a successful warehouse sector, Robbinsville is also experiencing new commercial and residential growth. Numerous new commercial and retail projects are under development and have broken ground. In our opinion, continuous tax base growth will likely provide additional operating stability, which we view as a positive.

Adequate management

We view the township's management as adequate, with standard financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

The township maintains a practical approach with its budgeting and management practices. Management typically keeps conservative budget projections and considers historical trends when making revenue and expenditure assumptions. The mayor, administrator, and finance staff review budget-to-actual reports monthly. Budget amendments and updates are allowable before either the budget's introduction or adoption, with council approval. Management also tracks the township's capital improvement needs and project funding sources through a six-year, annually updated capital improvement plan.

However, Robbinsville does not maintain formal multiyear projections for long-term financial arrangements. As for financial policies, the township uses state guidelines when it comes to debt- or investment-management practices.

However, management monitors investments monthly. There is also no formal reserve policy, but the township's goal is not to use more surplus than it can regenerate.

Adequate budgetary performance

Robbinsville's budgetary performance is adequate, in our opinion. The township had operating surpluses of 1.8% of expenditures in the current fund. Based on expected fiscal 2018 results and current fiscal 2019 projections, we expect fiscal year-end results could deteriorate somewhat from fiscal 2017 results during the next few fiscal years.

Financial performance has been stable during the past several fiscal years. Robbinsville benefits from a stable and predictable revenue profile with property taxes as its leading revenue source; collections remain very strong, in our view. The township had positive fiscal year-end 2017 results as revenue outpaced expenses, coupled with a high level of canceled appropriations.

Unaudited fiscal 2018 results suggest the township will close with a slight decrease in current fund balance close to \$341,000, or about 1.4% of expenditures. Management attributes the surplus decrease to its goal to mitigate increased tax levy. Outside fund balance use, revenue came in on budget or, in some cases, higher than expected.

For the fiscal 2019 budget, used fund balance is the lowest it has been during the past two fiscal years. The budget also includes a decrease in capital outlay as the township focuses on current projects.

We expect budgetary performance will likely remain adequate-to-strong and in-line with past performance due to the stable budgetary environment. We note Robbinsville generally appropriates any surplus toward its budget annually, but it has done well budgeting conservatively and maintaining stability.

We believe pension and OPEB liabilities will likely remain a budgetary stress due to the low funded ratio of state-administered plans. Robbinsville has done well managing future costs by working with collective-bargaining units and eliminating mandatory health care for new hires. The township is funding its required contractual pension payments for now and paying OPEB on a pay-as-you-go basis.

Very strong budgetary flexibility

Robbinsville's budgetary flexibility is very strong, in our view, with available fund balance in fiscal 2017 at 21% of operating expenditures, or \$4.8 million.

We expect reserves will likely remain very strong and in-line with past fiscal years due largely to the currently stable budgetary environment. In addition, there is no expectation of management using reserves to fund capital projects. The township has demonstrated a record of maintaining reserves in excess of 15% of expenditures during several fiscal years. Despite the expected fund balance decrease in fiscal 2018, reserves will likely remain at levels we consider very strong.

Very strong liquidity

In our opinion, Robbinsville's liquidity is very strong, with total government available cash at 29.5% of total governmental-fund expenditures and 139.8% governmental debt service in fiscal 2017. In our view, the township has strong access to external liquidity if necessary.

We have adjusted the township's fiscal year-end 2017 cash position to account for higher-than-normal tax

prepayments. The township does not invest aggressively, and it does not have any variable-rate or privately placed debt exposure. Current holdings are largely in bank deposits. Robbinsville maintains, what we view as, strong access to external liquidity through long-term GO bond issuance during the past 20 years. We expect liquidity will likely remain very strong due to the steady budgetary environment and limited capital needs.

Very weak debt-and-contingent-liability profile

In our view, Robbinsville's debt-and-contingent-liability profile is very weak. Total governmental-fund debt service is 21.1% of total governmental-fund expenditures, and net direct debt is 251.7% of total governmental-fund revenue.

The township expects to rollover BANs and eventually take them out in 2021 and later. After this issuance, Robbinsville will have \$58 million of total direct debt with about \$7.9 million in BANs. In our view, the township does not have any sizable authorizations that would weaken debt.

In our opinion, Robbinsville's large pension and OPEB obligation is a credit weakness. Robbinsville's combined required pension and actual OPEB contribution totaled 9.2% of total governmental-fund expenditures in fiscal 2017: 6.5% represented required contributions to pension obligations and 2.7% represented OPEB payments. The township made its full annual required pension contribution in fiscal 2017. The largest pension plan's funded ratio is 57.9%.

Robbinsville participates in the cost-sharing, multiple-employer New Jersey Police & Firemen's Retirement System (PFRS) and New Jersey Public Employees' Retirement System (PERS) pension plans. The plans' fiduciary net positions, as a percent of total pension liabilities, were 57.91% for PFRS and 40.45% for PERS at June 30, 2018. While funding somewhat mitigates local government risk of escalating contributions due to low plan funding, Robbinsville could face escalating pension costs should the state not follow its current schedule of increasing pension contributions. (For more details and information on these risks, please see our report, titled "New Jersey Pension Funding: State Actions Reverberate At The Local Level," published Dec. 12, 2018.)

Robbinsville also contributes to OPEB on a pay-as-you-go basis. In 2007, it eliminated this benefit for future hires through negotiations with its unions. Robbinsville's current OPEB liability totals \$16.9 million. There is no mechanism to prefund this liability.

Strong institutional framework

The institutional framework score for New Jersey municipalities is strong.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of Robbinsville's very strong liquidity and budgetary flexibility, supported by its very strong economy. Accordingly, we do not expect to raise or lower the rating within the outlook's two-year period.

Downside scenario

If Robbinsville were to face budgetary pressure due to increasing fixed costs, resulting in weakened fund balance, we could lower the rating.

Upside scenario

If management were to implement more-formal financial management policies and overall debt and liabilities were to improve while financial metrics remain strong, we could raise the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2018 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of June 26, 2019)

Robbinsville Twp (Mercer Cnty) GO (ASSURED GTY)

Unenhanced Rating

AA+(SPUR)/Stable

Affirmed

Robbinsville Twp GO

Unenhanced Rating

AA+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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