

## Fitch Upgrades Lyndhurst, NJ's GOs to 'AA-'; Outlook Stable

Written by Australian Business

---

NEW YORK--( [BUSINESS WIRE](#) )--Fitch Ratings has upgraded its rating on the following general obligation (GO) bonds of the township of Lyndhurst, New Jersey (the township) to 'AA-' from 'A':

--\$30,500,000 general improvement bonds, series 2013;

--\$3,390,000 water utility bonds, series 2013;

--\$1,588,000 general improvement bonds, series 2001;

--\$1,840,000 water utility bonds, series 2001.

The Rating Outlook is Stable.

### SECURITY

The bonds are a general obligation of the township secured by a pledge of its full faith and credit and the levy of ad valorem taxes without limitation as to rate or amount.

### KEY RATING DRIVERS

UPGRADE CONSIDERATIONS: The upgrade to 'AA-' from 'A' reflects the resolution of prior budgetary deficits and depletion of reserves, largely driven by the bankruptcy of a large taxpayer in 2008 that led Fitch to downgrade the township's rating in 2011.

## Fitch Upgrades Lyndhurst, NJ's GOs to 'AA-'; Outlook Stable

Written by Australian Business

---

**STRONG FUND BALANCE POSITION:** Reserves levels are dramatically improved exceeding 20% of spending at the close of 2013 as a result of successive operating surpluses and the 2012 property tax settlement between the township and the New Jersey Meadowlands Commission (NJMC).

**IMPROVED OPERATING RESULTS:** Various cost reductions and revenue growth have stabilized the township's budget, eliminating its dependence on fund balance appropriations. The budget is largely funded by property taxes generated from an affluent and diverse tax base, but revenue control is somewhat compromised given the statutory 2% tax levy cap.

**STRONG REGIONAL ECONOMY:** Participation in the broad economy of the New York/Newark/Jersey City metropolitan statistical area supports resident income levels comfortably above the national standard, low poverty, and favorable employment indicators.

**MODERATE DEBT PROFILE:** Debt levels are moderate. Future capital needs are not significant and should be comfortably accommodated within the budget given the rapid retirement of outstanding obligations.

### RATING SENSITIVITIES

**OPERATING STABILITY:** Maintenance of the 'AA-' rating is predicated on the expectation the township will maintain its conservative budgeting practices and generally stable financial results.

### CREDIT PROFILE

Lyndhurst is located in southern Bergen County approximately 15 miles northwest of downtown Manhattan. The township encompasses a land area of approximately 4.7 square miles, and has an estimated 2013 population of 21,223 up from 19,383 in 2000.

## RESERVES RESTORED TO HEALTHY POSITION

The current fund (or general fund) balance at the end of 2013 stood at \$7.9 million or 20.9% of spending with cash and investments of \$11.1 million representing nearly 30% of the annual operating budget.

The current reserve position is markedly improved from 2009 when fund balance was fully depleted as the township struggled to adjust to the loss of revenue associated with a bankrupt taxpayer and subsequent tax dispute with the NJMC. A settlement agreement was executed in 2012 yielding a one-time payment of \$5 million for the township in addition to \$175 thousand in ongoing payments in lieu of taxes. Settlement proceeds were used to repay interfund loans to meet prior year cash flow needs.

Management continues to express a strong commitment to maintain the township's much improved financial flexibility, however, this important objective is not institutionalized in the form of a conservatively written fund balance policy.

## TREND OF OPERATING SURPLUSES

The township is poised to build on its reserve position as management expects to add \$2-3 million to the fund balance at the end of 2014. Operating surpluses of \$4.4 million and \$1.1 million were achieved in 2013 and 2012, respectively, relative to a budget of \$36 million-37 million. Management continues to carefully monitor spending coincident with an overall improvement in the revenue environment, most notably current and delinquent tax collections. The township has not budgeted prior year fund balance nor does it rely on one-time revenues.

## PROPERTY TAX DOMINATED BUDGET

The township has a high dependence on property taxes that fund roughly 80% of the

## Fitch Upgrades Lyndhurst, NJ's GOs to 'AA-'; Outlook Stable

Written by Australian Business

---

current fund budget. Overall revenue raising capacity is somewhat constrained given the 2% statutory cap on tax levy growth. The tax levy approved in 2014 is \$225,077 under the cap. Importantly the tax levy cap excludes debt service, expenses related to a declared emergency, and certain increases in pension and health care costs.

The cap is also adjusted for new construction and there are two multi-family residential projects totaling 550-units presently under development and expected to be on the township's tax roll by 2015. Though not without other development opportunities, the township's relatively small size and mature status does introduce some risk to future tax base and revenue growth.

### SOUND ECONOMIC BASE

Approximately 60% of the township's tax base is comprised of single-family residential properties. Home prices appear to have stabilized and current median sales prices are reported to be \$280,000-\$290,000 by Zillow and Trulia. Various measures of resident income are solidly above the national standard and there is a very low incidence of poverty.

New Jersey Transit provides service from the township to New York City and Newark. Unemployment throughout Bergen County was reported at 6.3% in March and typically tracks below the state and nation.

The township has a notable commercial and industrial tax base given its size, owing to its overlap with a portion of the NJMC. The 10 largest taxpayers account for a moderate 13% of the township's assessed value (AV). The largest taxpayer is a multi-family property representing less than 3% of AV followed by several property management companies and the Sika Corporation, a supplier of specialty chemical products.

### MODERATE DEBT AND MANAGEABLE CAPITAL NEEDS

Overall debt levels for the township are moderate, estimated by Fitch at 2.8% of market

## Fitch Upgrades Lyndhurst, NJ's GOs to 'AA-'; Outlook Stable

Written by Australian Business

---

value and \$3,753 per capita. Amortization of existing long-term debt is rapid with about 80% retired within 10 years. Capital needs are manageable with a six-year program totaling \$12.2 million. The current year budget totals \$987 thousand in pay-go capital toward the financing of the capital plan, a significant increase from just \$50 thousand in 2012. Modest additional new debt is contemplated no sooner than 2016.

### PARTICIPATION IN STATE PLANS FOR PENSION

The township participates in two state-run pension plans - Public Employees Retirement System (PERS) and Police and Fireman's Retirement System (PFRS). Funding for PERS and PFRS are satisfactory at 74% and 76.9% as of June 30, 2013. Fitch estimates the funding levels to be slightly weaker at 67.8% for PERS and 70.6% for PFRS adjusting the return rate to 7% from the plan rate of 7.9%.

The township fully funds the annual pension contribution established by the state, although the required local government contributions have averaged about 90% of the actuarial required contribution (ARC) the last five years.

Carrying charges associated with township debt, pension, and retiree health coverage currently consume a moderate share of the budget at approximately 23% of spending. The largest component of this burden, debt service, descends rapidly which should help offset any future increases in pension costs that may stem from the funded ratio of the plan or recent underfunding of the ARC.

Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, and IHS Global Insight.

Applicable Criteria and Related Research:

--'Tax-Supported Rating Criteria' (Aug. 14, 2012);

--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686015](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015)

U.S. Local Government Tax-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=685314](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685314)

Additional Disclosure

Solicitation Status

[http://www.fitchratings.com/gws/en/disclosure/solicitation?pr\\_id=832955](http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=832955)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings) . IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE

AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '

[WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM)

' PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.