

RatingsXpress® Credit Research

Summary:

Park Ridge Borough, New Jersey; General Obligation

Primary Credit Analyst:

Danielle L Leonardis, New York (1) 212-438-2053; danielle.leonardis@standardandpoors.com

Secondary Contact:

Linda Yip, New York (1) 212-438-2036; linda.yip@standardandpoors.com

Research Contributor:

Amit Gandhi, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Park Ridge Borough, New Jersey; General Obligation

Credit Profile

Park Ridge Boro GO

Long Term Rating

AA/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on Park Ridge Borough, N.J.'s general obligation (GO) bonds to 'AA' from 'AA-' based on our recently released local GO criteria. The outlook is stable.

The borough's full-faith-and-credit GO pledge secures the bonds.

The rating reflects our assessment of the following factors for the borough.

- We consider the borough's economy to be very strong, with its projected per capita effective buying income at 189% of the U.S. and per capita market value of \$200,893. Park Ridge Borough is in northern Bergen County and benefits from its participation in, and easy access throughout, the New York City and northern New Jersey metropolitan area. County unemployment averaged 8.1% in calendar 2012 and was at 7% for October 2013. The loss of the borough's largest taxpayer, Hertz, with an assessment of \$34 million, accounts for 2% of total assessed value, could negatively impact the borough's economy. Hertz, currently occupying a 226,000-square foot facility, will move its headquarters from the borough to Florida within a year and likely relocate 500 of its roughly 700 employees with it.
- In our opinion the borough's budgetary flexibility is strong with available reserves at 10.5% of expenditures for fiscal 2012. Officials indicate that the borough will be able to replenish its \$650,000 budgeted use of fund balance at the close fiscal year 2013 (Dec. 31), thus maintaining its strong flexibility.
- The borough's budgetary performance, in our view, has been strong, with a surplus of 1.3% of expenditures for the current fund in fiscal 2012. Management estimates fiscal year 2013 to close with balanced operations, which will keep its performance strong, in our opinion. For fiscal 2014, while the budget is still in the development stage, management is aware that loss of Hertz's tax revenues could result in lower revenues and is aggressively seeking new tenants and may consider possible cuts to the budget to mitigate future pressures.
- Supporting the borough's finances is what we consider very strong liquidity, with total government available cash at 83% of total current fund expenditures and 7.9x debt service. Further bolstering our view of finances is that the borough maintains strong access to external liquidity.
- We view the borough's management conditions as adequate with standard financial practices.
- In our opinion, the borough's debt and contingent liabilities profile, net of self-supporting electric revenue GO bonds is adequate. Total current fund debt service is at 10.5% of total current fund expenditures and net direct debt is at 150.4% of total current fund revenue. Further bolstering our view of the borough's debt profile is its low overall net debt burden of 2.4% of market value and rapid debt amortization with 79% of outstanding debt principal being retired over the next 10 fiscal years.

The borough participates in the state administered pension plans for providing pension benefits to its employees and has contributed 100% of annual required contribution (ARC) in each of the past three fiscal years. The borough also provides other postemployment benefits (OPEB) through a single-employer defined-benefit plan. Combined pension ARC and pay-as-you-go OPEB contribution totaled 14.1% of current fund expenditures for fiscal 2012, which we consider high.

We consider the Institutional Framework score for New Jersey boroughs as strong. See Institutional Framework score for New Jersey.

Outlook

The stable outlook reflects our expectations that the borough will maintain its very strong budgetary flexibility and performance supported by very strong liquidity. We believe debt will likely remain manageable due to rapid amortization. The borough's access and participation in the New York City metropolitan area provides rating stability.

The borough's demonstrated ability to manage revenue pressures associated with the loss of its largest taxpayer while building up available reserves could lead us to raise the rating over the next two years. Given the aforementioned strengths, we do not expect to lower the rating over the outlook's two year period.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: New Jersey Local Governments

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.