

Rating Action: Moody's assigns initial Aa2 to New Milford, NJ's GO bonds

09 Mar 2021

New York, March 09, 2021 -- Moody's Investors Service has assigned an initial Aa2 rating to the borough of New Milford, NJ's \$12 million General Improvement Bonds.

RATINGS RATIONALE

The Aa2 rating reflects the borough's favorable location in Bergen County (Aaa stable) within easy commuting distance of New York City (Aa2 negative). New Milford has a modestly sized tax base, average for the region resident wealth and income, and strong finances. The borough is largely built out, although there is a modest amount of ongoing development. The Aa2 rating also reflects the borough's strong governance, which is a key driver of this rating action. Management has a history of conservative budgeting, as seen in its recent strong financial performance. It has an informal policy to only appropriate from reserves what it believes can be annually replenished.

The borough has suffered only a limited impact from the pandemic. Property taxes, overwhelmingly the largest source of revenue, have been unaffected and the borough has adjusted its budget to deal with the minor revenue variances it has experienced.

RATING OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Sustained growth in the borough's tax base
- Material strengthening of resident wealth and income

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material deterioration of the tax base or resident wealth and income
- Significant decrease in reserves

LEGAL SECURITY

Debt service on the bonds is secured by the borough's pledge of its full faith and credit backed by its legal obligation to levy ad valorem tax on all taxable property for the payment of debt service without limit as to rate or amount.

USE OF PROCEEDS

Proceeds from the bonds will be used to permanently finance \$10.6 million of the borough's \$11.3 million outstanding Bond Anticipation Notes maturing on April 9, 2021. The bonds will also finance \$1.4 million of unfunded improvements.

PROFILE

The Borough of New Milford is located in Bergen County in commuting distance to New York City. The borough has approximately 16,500 residents.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1243406.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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