Moody's
INVESTORS SERVICE

New Issue: Moody's assigns Aaa to BCIA NJ's $12.5M County-Guaranteed Revenue Refunding Bonds, 2014

Global Credit Research - 10 Feb 2014

Maintains Aaa rating on $996M of Bergen County GO debt; outlook is stable

BERGEN (COUNTY OF) NJ
Counties
NJ

Moody's Rating

ISSUE		RATING
County Guaranteed Revenue Refunding Bonds (County Administration Complex) Series 2014		Aaa
Sale Amount	$12,540,000	
Expected Sale Date	02/14/14	
Rating Description	General Obligation	

Moody's Outlook STA

Opinion

NEW YORK, February 10, 2014 --Moody's Investors Service has assigned a Aaa rating to Bergen County Improvement Authority's (NJ) $12.54 million County Guaranteed Revenue Refunding Bonds (County Administration Complex) Series 2014. Moody's maintains the Aaa rating on approximately $996 million of county General Obligation and guaranteed parity debt. The bonds are ultimately secured by the county's General Obligation, unlimited tax pledge. Proceeds of the bonds will be used to advance refund the authority's County Guaranteed Revenue Refunding Bonds, Series 2003 and 2005.

SUMMARY RATING RATIONALE

Assignment of the Aaa rating to these bonds reflects the security ultimately derived from the General Obligation of Bergen County through a county guaranty for debt service.

The highest-grade Aaa rating reflects the county's substantial and diverse tax base with high wealth levels and proximity to New York City (GO rated Aa2 stable), sound financial position supported by strong management, and low debt burden with a significant amount of municipal-supported guaranteed debt. The stable outlook reflects our expectation that the county's size and wealth will continue to exceed state and national norms, that its financial position will continue to be well-managed, maintaining Current Fund balances at adequate levels, and that the debt burden will remain manageable.

STRENGTHS

-Substantial and diverse tax base with favorable location

-Strong wealth indicators

-Strong financial management team

-Stable, structurally balanced financial operations

CHALLENGES

-Below average fund balance relative to peers

-Significant amounts of guaranteed debt for local government purposes

DETAILED CREDIT DISCUSSION

BONDS ULTIMATELY GUARANTEED BY COUNTY OF BERGEN PURSUANT TO GUARANTY ORDINANCE

Bergen County Improvement Authority (BCIA) is a conduit issuer and has no independent taxing authority. Timely payment of the current bonds is ultimately guaranteed by the county, on parity with the county's unlimited general obligation pledge. Debt service is expected to be repaid with Service Contract Payments from the county due May 1 and November 1, subject to appropriation. Under the terms of the County Guaranty Ordinance and Service Contract, if on the Service Contract Payment Date, 15 days prior to debt service, funds are insufficient to meet debt service, the trustee will notify the county immediately with the amount necessary to cure the deficiency. The county is obligated to pay the amount of the deficiency by the fifth day preceding the debt service due date. Under the county's Guaranty Ordinance, the county would be obligated to take any necessary action, including emergency or special emergency appropriations, and the levy of unlimited ad valorem taxes, to provide the amount sufficient to make debt service payments. Moody's believes that these mechanics, provide a satisfactory window for the county to make timely payments, if necessary.

SUBSTANTIAL TAX BASE BENEFITS FROM A SIGNIFICANT RETAIL AND RESIDENTIAL COMPONENT

Moody's expects the county's economy to remain vibrant given its substantial size with an equalized valuation of $165 billion (three times the national median for similarly rated counties), as well as its diversity and favorable location just across the Hudson River from New York City. Housing market devaluation is beginning to taper off and we expect equalized valuation declines to stabilize in 2015. Real estate-related fees to the county have increased for the a second consecutive year, indicating housing market improvement.

The tax base is characterized by prime residential, retail and commercial development. It benefits from large retail and shopping centers, such as Garden State Plaza (the largest taxpayer; 0.4% of 2012 assessed values) and Vornado Bergen Mall (second largest taxpayer; 0.2% of 2012 assessed values) which attract shoppers from New York City and elsewhere. The county is also home to the Meadowlands Sports Complex (the county's largest employer), which hosts NFL football games for both the New York Giants and New York Jets, in addition to various entertainment events. Following years of delays, the unfinished entertainment complex Xanadu - renamed as American Dream at the Meadowlands - is expected to be completed within the next several years now that a new developer has signed on. Direct revenue benefit projections for the county remain uncertain, but the complex is expected to generate new jobs and further lower unemployment rates. Unemployment figures, 7.3% as of August 2013, remain below statewide levels of 8.3% and on par with the national average Wealth indices are above state medians (MFI 161% of the national median) with equalized value per capita a robust $179,575, among the highest in the state, reflecting in part the density of commercial development.

POSITIVE FINANCIAL TREND; FUND BALANCE BOLSTERED BY FULLY RESERVED RECEIVABLES

The county's finances are expected to remain sound, given management's demonstrated commitment to structural balance and maintaining Current Fund balance at least at current levels. Current Fund balance remains below Moody's state Aaa median current fund balance level of 12.3% of revenues, but financial operations are stable and reserves have grown modestly to 6% of Current Fund revenues in 2012 from 4.9% in 2009. Cash balance has been at or above 10.4% of revenues for at least a decade. A $31 million accounts receivable is not reflected in the Current Fund balance due to New Jersey's modified cash accounting. When adjusting fiscal 2012 fund balance to be more comparable with GAAP accounting, Current Fund balance increases to 13.8% of revenues.

In line with the county's multi-year plan to incrementally increase Current Fund balance, fiscal 2012 operations augmented fund balance by $3 million. Current Fund reserves rose to $30.1 million or approximately 6% of revenues, driven primarily by conservative budgeting practices. Notably, county clerk fees exceeded budget by $1 million, indicating some improvement in the housing market as home sales grew in November. Unaudited fiscal 2013 results posted another addition to Current Fund balance, this time a slightly larger $4.76 million increase, bringing fund balance to $34.8 million (approximately 6.6% of revenues). Positive results were aided by a stronger housing market than anticipated and miscellaneous revenues performing better than budget.

A $31 million reserved receivable on the county's balance sheet associated with the Bergen Regional Medical Center (BRMC) is expected to provide some level of additional financial flexibility over the long-term. The receivable consists of $27 million collected by the BRMC manager for services provided by the county prior to 1998 when the license was transferred to the Bergen County Improvement Authority and the manager was hired, as well as a $6 million working capital loan offered by the county to assist with the manager's start-up costs. The county has received $500,000 annually since March 2008, with $3.5 million paid thus far and the balance of the receivable ($27 million) expected to be repaid to the county with one lump sum in March 2020, for which the hospital has accounted as a payable due to the county.

LOW DEBT BURDEN WITH MANAGEABLE BORROWING PLANS

The county's overall debt burden is low at 0.9% of equalized value, while direct debt is nominal at just 0.3% of equalized value and increases to 0.6% of equalized value when county-guaranteed debt is included. The county's debt profile is expected to remain at these modest levels given an average rate of principal amortization, with 80.9% repaid within 10 years, despite capital project plans for an estimated $100 million of additional bonds through fiscal 2014 for expansion of the county's justice center and renovations to the public works building. Debt service represented a slightly elevated but manageable 12.8% of fiscal 2012 expenditures, and increases to a high 16% when debt service on all county guaranteed debt is included. Of note, the vast majority of the county's guaranteed debt has been paid for in full by the municipalities benefitting from the proceeds and the county budgets for the remainder, per the original plan at issuance. Nonetheless, if the guarantees were called upon, Moody's believes the county could pay for the debt service with no impairment to credit strength.

The county participates in the New Jersey Police and Firemen's Retirement System and the Public Employees' Retirement System, two multi-employer, defined benefit retirement plans sponsored by the State of New Jersey (GO rated Aa3/negative). The county's combined annual required contribution (ARC) for the plans is $25.5 million in fiscal 2012, or a modest 5.1% of expenditures. The county's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is a a moderate 1.37 times revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities. We determined the county's share of liability for the state-run plans in proportion to its contributions to the plans.

OUTLOOK

The stable outlook reflects our expectation that the county's size and wealth will continue to exceed state and national norms, that its financial position will continue to be well-managed, maintaining Current Fund balances at adequate levels, and that the debt burden will remain low.

What would make the rating change - DOWN

-Protracted structural budget imbalance

-Depletion of reserves

-Significant increase in debt burden or required debt service payments on guaranteed obligations

-Deterioration of the county's tax base

KEY STATISTICS:

Full value (2013): $165 billion

Full value per capita: $179,575

Median family income, 2010 (% of US median): 161%

Operating fund balance, 2013 estimated: 13.8% (adjusted)

5-year dollar change in fund balance as % of revenues (2008 to 2013): +1.2% (adjusted)

Cash balance, 2012: 11.7%

5-year dollar change in cash balance as % of revenues (2008 to 2013): +0.4%

Institutional framework, NJ cities: A

5-year average of operating revenues/operating expenditures: 1.0x

Debt to full value: 0.33%

Debt to operating revenues 1.12x

3-year average of Moody's adjusted net pension liability to full value: 0.43%

3-year average of Moody's adjusted net pension liability to operating revenues: 1.37x

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. 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.

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