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Summary:

Robbinsville Township, New Jersey; General Obligation; Note

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Credit Profile

US\$23.506 mil BANs ser 2024C due 07/09/2025		
<i>Short Term Rating</i>	SP-1+	New
Robbinsville Twp BANs		
<i>Short Term Rating</i>	SP-1+	Affirmed
Robbinsville Twp GO		
<i>Long Term Rating</i>	AA/Positive	Outlook Revised

Credit Highlights

- S&P Global Ratings revised the outlook on its 'AA' long-term rating on Robbinsville Township, N.J.'s general obligation (GO) debt to positive from stable.
- In addition, S&P Global Ratings assigned its 'SP-1+' short-term rating to the township's roughly \$23.5 million series 2024C bond anticipation notes (BANs).
- S&P Global Ratings also affirmed its 'AA' long-term rating on the township's GO debt and 'SP-1+' short-term rating on the township's existing BANs.
- The outlook revision reflects our expectation that there is a one-in-three chance we could raise the rating due to the township's return to positive operations and growing reserves, coupled with the possible retirement of roughly \$6.7 million of long-term debt by 2026, lowering long-term liabilities. In addition, the township's growing property tax base, in-line with higher-rated peers, supports our view of the rating.

Security

Robbinsville's full-faith-and-credit pledge, including the agreement to levy ad valorem property taxes without limitation as to rate or amount, secures the BANs and GO debt. The short-term rating reflects our opinion of Robbinsville's general creditworthiness and market-risk profile, which we consider low. The low market-risk profile reflects our view of the township's strong legal authority to issue long-term debt to take out the BANs, as well as its ongoing disclosure to market participants.

Officials intend to use series 2024C BAN proceeds to refund existing BANs and provide new money for property acquisition and various general capital improvements.

Credit overview

The long-term rating reflects our opinion of an extremely strong property tax base, with additional economic development expected, that should support township operations; however, elevated debt metrics remain a concern. Robbinsville's finances continue the recent positive trend, according to its fiscal 2023 unaudited annual financial

statement. Officials attributed positive results to stronger revenue performance due particularly to stronger-than-budgeted miscellaneous revenue and property tax collections. We note the township is dedicated to rebuilding reserves and containing nonessential spending.

It appropriated \$3.1 million of fund balance in the fiscal 2024 budget, in-line with previous fiscal years. The township is about halfway through fiscal 2024; based on year-to-date performance, it expects to end positively, replenishing and adding to reserves at fiscal year-end due to increased construction fees; interest income; and other revenue, offsetting revenue that is trending slightly down. We expect the township will likely maintain balanced-to-positive results, supported by conservative budgeting and increased revenue due to its growing tax base.

The township's very strong local economy continues to provide rating stability. Self-storage, hotels, car dealerships, warehousing, and residential and commercial development provide future revenue growth. Depending on the project, Robbinsville uses payments-in-lieu-of-taxes (PILOTs) agreements to spur development. The value of the various properties under PILOTs is currently \$93 million, which translates to \$1 million of annual revenue, that could grow depending on the specific agreement.

Robbinsville will have about \$71.4 million of total direct debt after this BANs issuance. It currently expects to finance the BANs permanently within two years to three years. Depending on timing, the township fully expects to retire \$6.7 million of its 2015 debt issuance, lowering overall debt and likely reducing debt-service costs, which we view positively.

However, we view pension and other postemployment benefit (OPEB) liabilities as a credit pressure for Robbinsville. State fiscal pressure could result in higher contributions for local governments, and the township cannot prefund its \$25 million OPEB liability; this is consistent with our view across the New Jersey portfolio (For more details, see "Pension Spotlight: New Jersey," published June 21, 2022, on RatingsDirect.).

The rating reflects our view of Robbinsville's:

- Positive results expected in fiscal 2023, adding \$1.4 million to reserves and bringing current-fund reserves to \$5.2 million (unaudited), or a very strong 19.5% of expenditures, complying with the township's fund-balance target for the first time since fiscal 2020;
- Maintaining its six-year capital-improvement plan and conducting long-term financial planning while available reserves have fallen short of the township's informal target of maintaining 15%-20% of expenditures; the Institutional Framework score for New Jersey municipalities is strong;
- Large debt-and-retirement liabilities with debt service averaging 20% of expenditures, coupled with weaker pension funded ratios; and
- Very strong wealth and income, supported by a strong residential tax base (about 75% of assessed value) and a robust warehousing presence.

Environmental, social, and governance

We have assessed environmental, social, and governance (ESG) factors relative to Robbinsville's management, financial measures, and debt-and-liability profile; we view all three as neutral in our credit analysis. Furthermore, although we consider the state's governance of its pension plans and lack of a mechanism to prefund OPEB a

weakness for New Jersey local governments, these issues have a similar effect on all New Jersey local governments.

Outlook

The positive outlook reflects S&P Global Ratings' view that Robbinsville will likely maintain positive operations, rebuilding reserves to previously very strong levels. While we continue to view its debt profile as very weak, we think debt will likely remain affordable due to the township's very strong local economy with high wealth and income, which should allow management to raise sufficient revenue to deal with increasing fixed costs.

Downside scenario

We could lower the rating if the township were to revert to misalignment of revenue and expenditures; if reserves were to decrease, whether due to budgetary imbalance or an inability to replenish fund-balance appropriations; or if high fixed costs were to pressure the budget.

Upside scenario

We could raise the rating if the township were to continue to improve and sustain fund balance, demonstrating a long commitment to its reserve target, coupled with the maintenance of positive finances while realizing lower long-term liabilities and fixed costs.

Robbinsville Township, New Jersey--key credit metrics				
	Most recent	--Historical information--		
		2022	2021	2020
Very strong economy				
Projected per capita effective buying income (EBI) (% of U.S.	187.3			
Market value per capita (\$)	239,058			
Population		15,207	14,484	14,599
County unemployment rate(%)		3.2		
Market value (\$000)	3,635,360	3,254,800	2,991,936	
10 leading taxpayers as a % of taxable value	11.5			
Strong budgetary performance				
Operating fund result as a % of expenditures		2.5	(1.1)	(3.2)
Total governmental fund result as a % of expenditures		2.5	(1.1)	(3.2)
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		13.4	12.1	13.6
Total available reserves (\$000)		3,804	3,034	3,316
Very strong liquidity				
Total government cash % of governmental fund expenditures		26.8	28.3	25.2
Total government cash % of governmental fund debt service		172.5	139.4	120.3
Adequate management				
Financial Management Assessment	Standard			
Very weak debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		15.5	20.3	20.9

Robbinsville Township, New Jersey--key credit metrics (cont.)

	<u>Most recent</u>	<u>--Historical information--</u>		
		2022	2021	2020
Net direct debt as a % of governmental fund revenue	250.1			
Overall net debt as a % of market value	3.7			
Direct debt 10-year amortization (%)	42.6			
Required pension contribution as a % of governmental fund expenditures		7.8		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		0		

Strong Institutional Framework

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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