

Summary:

West Windsor Township Parking
Authority, New Jersey
West Windsor Township; General
Obligation; General Obligation
Equivalent Security

Primary Credit Analyst:

Andrew R Teras, Boston 617-530-8315; andrew_teras@standardandpoors.com

Secondary Contact:

Nicole T Ridberg, New York (1) 212-438-4704; nicole_ridberg@standardandpoors.com

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Credit Profile

US\$4.845 mil pkg rev bnds (West Windsor Twp) (Twp Gtd) ser 2012 due 03/01/2016-2043

<i>Long Term Rating</i>	AAA/Stable	New
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West Windsor Twp GO

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating to West Windsor Township Parking Authority, N.J.'s series 2012 parking revenue bonds, supported by West Windsor Township, and affirmed its 'AAA' rating on the township's existing general obligation (GO) debt. The outlook is stable.

The rating reflects the township's:

- Diverse economy, coupled with access to the broader employment bases of Philadelphia and New York City;
- Very strong wealth and income indicators with historically low unemployment;
- Consistently solid financial performance, characterized by very strong general fund reserves, and
- Moderate overall debt burden on a market value basis and slightly elevated carrying charges, but with rapid principal amortization.

The bonds are a full faith and credit of the authority to which its full faith and credit are pledged. The bonds are payable from net parking revenues and, to the extent that parking revenues are not available, the township is obligated to provide for the payment of debt service on the bonds, pursuant to a guaranty agreement between the authority and the township. The township's obligation constitutes a general obligation of the township and remains in effect as long as the bonds are outstanding.

The authority will use bond proceeds to fund the expansion of an existing commuter parking facility at Princeton Junction Station.

West Windsor (estimated population: 28,000) is an affluent, primarily residential, suburban township in northeastern Mercer County. The township is located in central New Jersey, providing easy access to the New Jersey Turnpike and Route 295. Approximately four miles of U.S. Route 1 Highway, a major commercial corridor, runs directly through the township. Rail service to larger employment bases such as New York City and Philadelphia is available via the Princeton Junction station. Furthermore, the proximity of Princeton and Princeton University provides additional employment opportunities. Income levels are very strong, with median household effective

buying income at 244% of the state and 219% of the national levels. West Windsor's unemployment rate continues to be notably below county, state, and national levels; the unemployment rate for 2011 was 4.5%.

Despite its somewhat rural and suburban character, the township has a solid commercial base with large employers such as SRI International, Bristol-Myers Squibb, Tyco International Ltd., and NRG Energy. The township also has several large hotels, including the Hyatt Regency, AmeriSuites, Extended Stay America, and Marriott Residence Inn. Some of the larger retailers in the township include The Home Depot Inc., Target Corp., Wal-Mart Stores Inc., Wegmans, and Kohl's. Due to the economic downturn, new construction has slowed in the past few years. Still, we understand that there are several commercial and residential projects in various stages of development. West Windsor's commitment to preserving open space--financed through the levy of an open-space tax since the early 1990s--has had an impact on development. To date, the township has preserved 48.3% of its 26.8 square miles for open space and farmland preservation.

The township's wealth is reflected in its property tax base, with per capita true property value at an extremely strong \$222,000. The economic conditions of the past several years have affected tax base growth, however, as the 2012 total AV of \$5.9 billion is a decrease of roughly 5% since 2008. The township maintains a reserve for property tax appeals that helps lessen the impact of appeals in any given year. The tax base is diverse, with the 10 leading taxpayers accounting for about 15% of AV. Tax collections are strong at an average of more than 99%.

West Windsor's financial position is strong with an unreserved fund balance equal to more than 20% of current fund expenditures for the five years before fiscal 2010. Fiscal 2010 ended with a current fund balance of \$6.8 million, or a very strong 19.4% of general fund expenditures after a drawdown of approximately \$500,000. The drawdown in fiscal 2010 was due partly to a \$619,000 reduction in state aid payments that year. In fiscal 2010, property taxes accounted for 61% of general fund revenues, while other municipal revenues, including sewer charges, fees and charges, and hotel occupancy taxes, accounted for 31% and state aid 6%. Over the past few years, officials have reduced staff through retirements and attrition and have limited rehiring for administrative positions. The township has also lowered health care costs by requiring employees to pay more for coverage. Property tax levies have increased over the past several years under legislative property tax limits.

The township reports favorable operations for fiscal 2011 and an increase in current fund balance to \$7.1 million (unaudited). The fiscal 2012 proposed budget totals \$37.33 million, a slight (0.03%) decrease from the 2011 budget; management reports that this is the first time in 20 years that the township's budget is lower than the previous year. The tax levy is budgeted to increase 1.86% and is \$409,000 below the maximum permitted as per the state's levy cap. The budget uses \$4.4 million of fund balance, the same amount budgeted in 2011.

Standard & Poor's still considers West Windsor's financial management practices "standard" under its Financial Management Assessment (FMA) methodology, indicating that the township maintains adequate policies in some, but not all, key areas.

West Windsor Township's overall direct and overlapping debt burden is moderate at 4% of true market value but high at \$9,200 per capita. Debt carrying charges are considered elevated, with debt service at 15% of total governmental revenues in fiscal 2010 and budgeted at roughly 15% in both 2011 and 2012. Debt amortization, however, is rapid, with the majority of the township's debt scheduled to be retired in 10 years. The 2012-2017 capital plan totals approximately \$30 million and is primarily debt-funded; we understand the township plans to issue \$10 million in bonds for capital improvements in fall 2013.

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The township's payments into the state retirement funds for employees totaled \$1.7 million in fiscal 2010, or 5% of general fund expenditures. As of Dec. 31, 2010, the total unfunded other postemployment benefits liability was \$51.3 million. Annual actuarially required contributions were \$5.6 million, or 15% of general fund expenditures, in fiscal 2010. The township funds these costs on a pay-as-you-go basis, paying \$725,000, or 2% of general fund expenditures, in fiscal 2010.

Outlook

The stable outlook reflects Standard & Poor's expectation that the township will continue to maintain a strong financial position with solid reserves. We do not expect the rating to change within our two-year horizon.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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