

RatingsDirect®

Summary:

Lambertville, New Jersey; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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Credit Profile		
US\$8.352 mil GO bnds ser 2024 due 03/01/2039		
Long Term Rating	AA/Stable	New

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Lambertville, N.J.'s approximately \$8.4 million series 2024 general obligation (GO) bonds.
- The outlook is stable.

Security

The city's full-faith-and-credit pledge and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the bonds. Proceeds will be used to refund the city's 2023 bond anticipation notes (BANs), providing permanent financing for several capital projects throughout the city.

Credit overview

Lambertville's operational performance has stabilized in the last two fiscal, following five consecutive years of decreases to available current fund reserves, which we believe reflects improved budgetary management and oversight. Fiscal 2022 current fund results reported revenue less than expenses; however, this reflected the delayed receipt of a USDA grant, the funds of which were used in 2022 but received in 2023. Therefore, the current fund balance improved in each of the last three fiscal years, totaling an estimated \$1.5 million at fiscal year-end 2023. Management has shifted its approach to its budget by taking an aggressive stance on funding operations, using less fund balance, and fully replenishing by year-end. Certain policies have been enacted to use increased fees and fines, including higher beverage taxes, to cover expenses, which has resulted in improved financial operations. Management plans to sustain its current fund balance above its informal target of \$1.0 million, and continue rebuilding reserves with the addition of cannabis revenue, investment income, and increased fees and fines. Full regeneration of appropriated surplus is expected for fiscal 2024.

Lambertville's strong economic indicators continue to support our rating, as highlighted by ongoing development and increased tourist activity, resulting in steady tax base growth. However, continuing to constrain the rating is a high overall carrying charge, which reflects pressure on the budget for the city's fixed costs, including debt, pensions, and other postemployment benefits (OPEBs) that totaled 27% in fiscal 2022. 's elevated pension burden, which is typical across New Jersey municipalities, is a credit weakness. While it is currently managing pension costs, we think the city has a limited ability to control liability growth due to state restrictions. (For more details and information on these risks, see "Pension Spotlight: New Jersey," published June 21, 2022, on RatingsDirect.)

Given the relatively small size of the budget, even small revenue or expenditure shifts have a larger effect on

operational performance and, as a result, reserve and cash levels. While we believe budgetary stability is likely over the next few years, there could be rating pressure if costs, whether fixed or operational, become outsized and are not able to be absorbed into the budget.

Other credit factors include our view of Lambertville's:

- Growing residential tax base, anchored by its location within the New York metropolitan area, with above-average income levels;
- Two consecutive years of operational balance, resulting in improved current fund reserve levels that are expected to be sustained, in conjunction with an improved liquidity position in the last two fiscal years;
- Standard financial management policies, highlighted by budgeting oversight and monitoring and an informal reserve target with which the city has recently come into compliance, and a strong institutional framework score; and
- Very weak debt burden with elevated carrying charges, further stressed by our view of a large pension liability under a poorly funded pension plan, with some pressure from already elevated pension costs.

Environmental, social, and governance

We consider Lambertville's environmental risks slightly elevated, owing mainly to hurricane exposure. However, the city has an emergency management team and planning in place to help mitigate against these elevated risks.

Hurricane Ida did cause significant damages to personal and public property, but the city received timely reimbursements from the Federal Emergency Management Agency (FEMA) for storm-related costs. We consider the state's governance of its pension plans and lack of a mechanism to prefund OPEBs a weakness for all New Jersey local governments. We consider social risks as neutral in our credit analysis.

Outlook

The stable outlook reflects our view of Lambertville's return to operational balance and stabilized reserve levels, resulting from recent regeneration of surplus appropriation. Further supporting the stable outlook is continued growth in the local economy, showing year-over-year tax base growth and extremely strong income metrics.

Downside scenario

We could lower the rating if the city were to experience negative operating results, leading to a sustained deterioration of its available fund balance, or if debt, pension, or OPEB contributions increase.

Upside scenario

We could raise the rating if the city is able to continue to grow its financial position, as reflected by improved current fund reserves, to levels in line with those of higher-rated peers, in conjunction with the implementation of more robust planning practices and a lowering of its debt burden and fixed costs.

Lambertville, NJ -- Key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	165			
Market value per capita (\$)	245,974			
Population	3,882	3,708	3,720	
County unemployment rate(%)	2.9			
Market value (\$000)	954,871	864,288	818,923	
Ten largest taxpayers % of taxable value	4.5			
Adequate budgetary performance				
Operating fund result % of expenditures	(5.7)	4.8	(8.1)	
Total governmental fund result % of expenditures	(5.7)	4.8	(8.1)	
Very strong budgetary flexibility				
Available reserves % of operating expenditures	16.2	17.3	11.3	
Total available reserves (\$000)	1,119	1,016	726	
Very strong liquidity				
Total government cash % of governmental fund debt service	136	137	48	
Adequate management				
Financial Management Assessment	Standard			
Very weak debt & long-term liabilities				
Debt service % of governmental fund expenditures	21.5	24.6	22.5	
Net direct debt % of governmental fund revenue	202			
Overall net debt % of market value	4.1			
Direct debt 10-year amortization (%)	29			
Required pension contribution % of governmental fund expenditures	5.5			
OPEB actual contribution % of governmental fund expenditures	0.0			
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- 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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