

CREDIT OPINION

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City of Lambertville, NJ

Update to credit analysis following removal of negative outlook

Summary

[Lambertville, NJ](#) (A1) benefits from a stable tax base with above-average resident income levels and a healthy financial position. These benefits are somewhat offset by the city's elevated long-term liabilities and high fixed costs.

On Feb. 23, 2024, Moody's removed the city's negative outlook and affirmed its A1 issuer and general obligation unlimited tax debt ratings and MIG 1 short-term Bond Anticipation Note rating.

Credit strengths

- » Willingness to raise the property tax levy
- » Above-average resident wealth and income levels
- » Ample liquidity

Credit challenges

- » Elevated long term liabilities with high fixed costs

Rating outlook

Moody's typically does not assign outlooks to local government issuers with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Increase in the fund balance ratio to at least 30%
- » Significant decrease in long term liabilities and fix costs

Factors that could lead to a downgrade

- » Material deterioration of the tax base and/or resident wealth and income
- » Sustained decreases in reserves and liquidity

Key indicators

Exhibit 1

Lambertville (City of) NJ

	2019	2020	2021	2022	A Medians
Economy					
Resident income ratio (%)	104.4%	140.9%	119.2%	120.6%	86.2%
Full Value (\$000)	\$778,413	\$809,916	\$818,725	\$865,229	\$710,587
Population	3,822	3,809	4,116	4,127	9,809
Full value per capita (\$)	\$203,667	\$212,632	\$198,913	\$209,651	\$64,697
Annual Growth in Real GDP	2.1%	-3.5%	4.8%	2.5%	N/A
Financial Performance					
Revenue (\$000)	\$5,377	\$6,308	\$6,143	\$6,513	\$21,142
Available fund balance (\$000)	\$1,115	\$649	\$1,193	\$1,030	\$8,496
Net unrestricted cash (\$000)	\$2,187	\$1,906	\$3,398	\$3,726	\$11,027
Available fund balance ratio (%)	20.7%	10.3%	19.4%	15.8%	40.6%
Liquidity ratio (%)	40.7%	30.2%	55.3%	57.2%	52.2%
Leverage					
Debt (\$000)	\$13,463	\$12,455	\$15,657	\$17,030	\$17,628
Adjusted net pension liabilities (\$000)	\$9,422	\$15,151	\$9,517	\$8,066	\$24,236
Adjusted net OPEB liabilities (\$000)	\$5,562	\$5,562	\$6,939	\$6,650	\$1,376
Other long-term liabilities (\$000)	\$0	\$0	\$0	\$0	\$625
Long-term liabilities ratio (%)	529.0%	525.8%	522.7%	487.4%	277.1%
Fixed costs					
Implied debt service (\$000)	\$939	\$982	\$892	\$1,098	\$1,254
Pension tread water contribution (\$000)	\$373	\$359	\$380	\$308	\$645
OPEB contributions (\$000)	\$445	\$445	\$148	\$185	\$46
Implied cost of other long-term liabilities (\$000)	\$0	\$0	\$0	\$0	\$44
Fixed-costs ratio (%)	32.7%	28.3%	23.1%	24.4%	13.1%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area [issuer specific] Metropolitan Statistical Area.

Sources: US Census Bureau, Lambertville (City of) NJ's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

Profile

The City of Lambertville is located in Hunterdon County, on the Delaware River, 15 miles from [Trenton](#) (Baa2 negative). It has a population of approximately 4,100.

Detailed credit considerations

The city's tax base will continue to grow in the near to medium term with modest ongoing developments. Located in Hunterdon County, Lambertville's tax base has grown by a compound average of 3.9% annually in the past five years. While the city is largely built out, management reports new residential developments leading to growth in values. The city currently has 160 new townhouses and an apartment complex with 40 affordable housing units under construction. Resident wealth and income levels in the city are above-average with an adjusted median household income (MHI) of 120.6% of the US MHI. Furthermore, using the city's 2023 full value figure, full value per capita is a strong \$230,874.

The city's financial position has improved to healthier levels from a narrow position given conservative budgeting practices and consistent sizeable increases to property tax levies. According to unaudited 2023 figures, the city's Moody's-adjusted current fund balance nominally doubled, increasing to \$2.1 million or 23.1% of revenues from \$1.0 million or 15.8% of revenues. From 2016 to 2019, the city struggled with slight declines in fund balance as a result of increased operational and debt service costs outpacing revenue growth. Adjusted current fund balance decreased from a high of 29.7% of current fund revenues in 2016 to 20.7% in 2019. The city's financial health further regressed in 2020 due to the pandemic-induced underperformance in revenues and a shrinking fund balance. In response to the narrowed reserve position, the city took proactive measures to restore the fund balance. Property tax levies were

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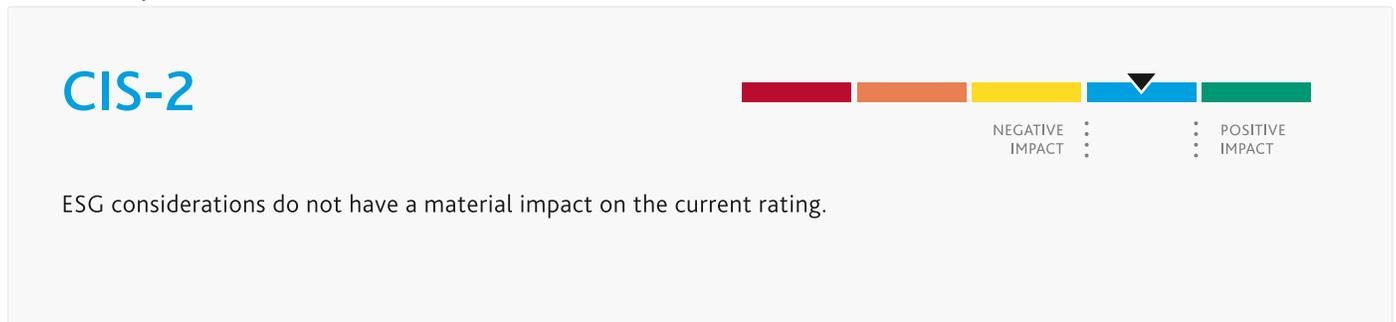
raised by 16% and 12% in 2022 and 2023, respectively. Alongside the financial aid from the American Rescue Plan Act and savings on budgeted expenditures, the adjusted fund balance has achieved healthy growth since 2020. The city's management team expects to continue to build fund balance going forward. They will continue to utilize fund balance at the amounts utilized in recent years which the city has proven their ability to replenish.

Lambertville's leverage will remain elevated over the medium term. By year end 2022, long term liabilities amounted to \$31.7 million, or an elevated 487.4% of revenues. Of this amount, debt accounted for \$17.0 million, while adjusted net pension liability and other post-employment benefits accounted for a combined \$14.7 million. Going forward, the city's management team intends to issue modest amounts of debt for various routine capital projects. Additionally, the city's fixed costs are an elevated 24.4% of revenues, mainly driven by high debt service costs.

ESG considerations

Lambertville (City of) NJ's ESG credit impact score is CIS-2

Exhibit 2
ESG credit impact score



Source: Moody's Investors Service

The city's ESG credit impact score is neutral-to-low (**CIS-2**), reflecting neutral to low exposure to governance, and social risks, while environmental risks are moderately negative.

Exhibit 3
ESG issuer profile scores



Source: Moody's Investors Service

Environmental

The city's overall environmental issuer profile score is moderately-negative (**E-3**). While carbon transition, water, natural capital, and pollution risks are modest, the city is exposed to rising flooding and other storm-related risks. In 2021, the city experienced its worst flash flooding event in history due to Hurricane Ida, causing millions of dollars in damages to city infrastructure. Favorably, the city actively works to address infrastructure to help withstand storm related events.

Social

Exposure to social reflects neutral-to-low risk (**S-2**). The city benefits from solid demographic and labor and income metrics along with being very well educated and overall generally safe. In contrast, the high cost of living and housing prices in the area poses a challenge. Residents have easy access to basic services.

Governance

The city's governance issuer profile score reflects neutral-to-low (**G-2**) risk. Government operations are managed by certified and experienced professionals who are responsible for implementing its policy objectives. This, plus a combination of a strong state-wide institutional framework and generally conservative budgeting, has allowed for satisfactory operations. Finally, management is generally prompt in publishing its budgets and audited financial statements. Monthly or quarterly interim statements are not available publicly.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 4

Lambertville (City of) NJ

	Measure	Weight	Score
Economy			
Resident income ratio	120.6%	10.0%	Aaa
Full value per capita	230,874	10.0%	Aaa
Economic growth metric	-0.4%	10.0%	Aa
Financial Performance			
Available fund balance ratio	15.8%	20.0%	A
Liquidity ratio	57.2%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	487.4%	20.0%	Baa
Fixed-costs ratio	24.4%	10.0%	Baa
Notching factors			
Limited scale of operations	-0.5		
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			A2
Assigned Rating			A1

The Economic Growth metric cited above compares the five-year CAGR of real GDP for New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area [issuer specific] Metropolitan Statistical Area to the five-year CAGR of real GDP for the US

Sources: US Census Bureau, Lambertville (City of) NJ's financial statements and Moody's Investors Service

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service

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