S&P Global
Ratings

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Summary:

Voorhees Township Commissioners Fire District No. 3, New Jersey; General Obligation

Primary Credit Analyst:
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Related Criteria And Research

Summary:

Voorhees Township Commissioners Fire District No. 3, New Jersey; General Obligation

Credit Profile		
US$3.375 mil GO Rfdg bnds ser 2016 due 11/01/2028		
Long Term Rating	AA/Negative	New
Voorhees Twp Comr Fire Dist #3 bnds		
Long Term Rating	AA/Negative	Downgraded

Rationale

S&P Global Ratings lowered its rating on Voorhees Township Commissioners Fire District No. 3, N.J.'s general obligation (GO) debt one notch to 'AA' from 'AA+'. The outlook is negative.

The rating action reflects our opinion of the district's significant financial deterioration. Officials are projecting the combined general and capital fund balance totaled $303,000 at fiscal year-end 2015, down from roughly $2 million of general fund balance in the past.

The negative outlook reflects our opinion that there is, at least, a one-in-three chance the district will not return reserves to their former strong levels over the next couple of years.

At the same time, S&P Global Ratings assigned its 'AA' rating and negative outlook to the district's series 2016 GO refunding bonds.

The rating reflects our opinion of the district's:

- Primarily residential nature with a diverse and stable local economy that further benefits from its participation in the regional Philadelphia employment base,
- Very strong wealth and income,
- Adequate finances, and
- Low debt with above-average amortization and limited additional capital needs.

The district's full-faith-and-credit pledge secures the bonds. Officials intend to use series 2016 bond proceeds to advance refund the district's series 2008 GO bonds.

We now consider finances good, down from very strong, after the district posted deficits in five of the past six fiscal years. Management attributes this to the downturn in the economy and its inability to raise taxes more than the state's 2% cap will allow. Voorhees Township also thought the district's reserves were too high, so the district spent down reserves to help offset the budget. The district is rebuilding fund balance by using two Federal Emergency Management Agency safer grants for staffing, cutting spending, using cost-sharing fuel with the township, and renegotiating union contracts. The district also increased fees for services for emergency medical calls and fire

inspections.

The fiscal 2016 budget totaled $7.5 million without using fund balance appropriation to balance the budget; this is the first time in many years the district is not using fund balance to balance the budget. Management reports that historically the district has had a much higher fund balance than it does now; in the past, this gave the district an option to provide tax relief because it felt it could use fund balance. Now, however, the district is choosing not to use fund balance to balance the budget. Less than halfway through fiscal 2016, management reports it has already finished higher than expected with two revenue line items. The district has also saved $70,000 this year in salaries. Management reports it should finish fiscal 2016 with a slight surplus, barring any unforeseen circumstances throughout the rest of the fiscal year.

The fiscal 2015 budget totaled $7.5 million, including the use of $83,000 of fund balance appropriation. During the fiscal year, the district had a larger-than-expected expense, by roughly $129,000, for fire hydrant rentals. It also finished a capital project during fiscal 2015 and spent down reserves in the capital reserve fund, which now totals $138,000, in the process. Management reports it finished fiscal 2015 with close to $140,000 of available fund balance in the general fund, which would equal 1.9% of budgeted expenditures. Reserves in the combined general and capital project funds equaled $303,000, or a good 4.1% of budgeted expenditures. Management reports it does not want reserves to fall below 5% of expenditures.

After posting five consecutive deficits, the district posted a $173,148 surplus in fiscal 2014. Management attributes the surplus to attrition and spending cuts. This increased total available fund balance, assigned and unassigned, to $406,000, or 6.2% of expenditures, which we consider good. At the same time, this increased total fund balance to $431,000, or a good 6.6% of expenditures. In addition, the district had a capital project fund with $1.6 million. Reserves in the combined general and capital projects funds equaled $1.99 million, or a very strong 30.4% of expenditures. Property taxes generated 77.6% of total general fund revenue in fiscal 2014. The district can levy its own property taxes, which the township collects and fully guarantees.

The district is in Camden County, approximately 10 miles southeast of Philadelphia. The district, which serves all of Voorhees Township, has 33 full-time employees and 16 part-time employees; it currently operates two fire stations. The district's population estimate of 29,023 in 2016 has remained fairly steady since fiscal 2012. The mostly residential township offers employment opportunities in the area, apart from the neighboring Philadelphia.

Management reports that while the economy has remained stable recently, it has seen steady growth; management, however, expects the economy to remain stable over the next few years. Residents have direct access to employment throughout the Philadelphia employment base. County unemployment averaged 6.5% in 2015, above the state's 5.6% and the nation's 5.3%.

The property tax base has decreased by 1.5% since fiscal 2013 to $3.1 billion in fiscal 2016. Market value is $3.4 billion in fiscal 2016, which is still extremely strong, in our view, at $118,126 per capita. The tax base remains very diverse with the 10 leading taxpayers accounting for roughly 8.9% of assessed value. Median household and per capita effective buying incomes are, in our opinion, very strong at 140% and 145%, respectively, of national levels.

In our opinion, overall debt is a very low $732 per capita, or 0.6% of market value. The debt service carrying charge

accounted for 6.2% of expenditures in fiscal 2014, which we view as low. We consider principal debt amortization above average with officials planning to retire 74% over 10 years and 100% over 13 years. Officials do not currently plan to issue any additional debt over the next few years.

The district participates in, and contributes to, the state-administered pension and other postemployment benefit programs. In fiscal 2014, pension contributions accounted for 7.8% of total operating expenditures.

Outlook

The negative outlook reflects S&P Global Ratings' opinion of the district's deteriorated finances. Despite various actions the district has taken to stop using reserves, we believe that with the state's levy cap law, there is, at least, a one-in-three chance the district will not rebuild fund balance to strong levels over the outlook's two-year period. If the district cannot rebuild reserves to strong levels, we will lower the rating. However, if the district were to replenish reserves, we could revise the outlook to stable.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

Credit FAQ: Financial Management Assessment In U.S. Public Finance, June 27, 2006

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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reference no.: 1434172

May 3, 2016

The Commissoners of Fire District NO. 3
in the Township of Voorhees
423 Cooper Road
Voorhees, NJ 08043
Attention: Chief Michael Wharton, Deputy Chief

Re: ***US$3,375,000 The Commissioners of Fire District NO. 3, in the Township of Voorhees, New Jersey, General Obligation Refunding Bonds, Series 2016, due: November 1, 2028***

Dear Chief Wharton:

Pursuant to your request for a S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AA". S&P Global Ratings views the outlook for this rating as negative. A copy of the rationale supporting the rating is enclosed.

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Please send hard copies to:
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Public Finance Department

55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

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cc: Ms. Danielle M. Marino, Analyst
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tel 212-438-2000
reference no.: 40253652

May 3, 2016

The Commissioners of Fire District NO. 3
in the Township of Voorhees
423 Cooper Road
Voorhees, NJ 08043
Attention: Chief Michael Wharton, Deputy Chief

Re: ***Voorhees Township Commissioner Fire District #3, New Jersey, General Obligation Bonds***

Dear Chief Wharton:

S&P Global Ratings has reviewed the rating on the above-listed obligations. Based on our review, we have lowered our credit rating from "AA+" to "AA" and changed the outlook to negative from stable. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

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Secondary Contact:
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The fiscal 2015 budget totaled $7.5 million, including the use of $83,000 of fund balance appropriation. During the fiscal year, the district had a larger-than-expected expense, by roughly $129,000, for fire hydrant rentals. It also finished a capital project during fiscal 2015 and spent down reserves in the capital reserve fund, which now totals $138,000, in the process. Management reports it finished fiscal 2015 with close to $140,000 of available fund balance in the general fund, which would equal 1.9% of budgeted expenditures. Reserves in the combined general and capital project funds equaled $303,000, or a good 4.1% of budgeted expenditures. Management reports it does not want reserves to fall below 5% of expenditures.

After posting five consecutive deficits, the district posted a $173,148 surplus in fiscal 2014. Management attributes the surplus to attrition and spending cuts. This increased total available fund balance, assigned and unassigned, to $406,000, or 6.2% of expenditures, which we consider good. At the same time, this increased total fund balance to $431,000, or a good 6.6% of expenditures. In addition, the district had a capital project fund with $1.6 million. Reserves in the combined general and capital projects funds equaled $1.99 million, or a very strong 30.4% of expenditures. Property taxes generated 77.6% of total general fund revenue in fiscal 2014. The district can levy its own property taxes, which the township collects and fully guarantees.

The district is in Camden County, approximately 10 miles southeast of Philadelphia. The district, which serves all of Voorhees Township, has 33 full-time employees and 16 part-time employees; it currently operates two fire stations. The district's population estimate of 29,023 in 2016 has remained fairly steady since fiscal 2012. The mostly residential township offers employment opportunities in the area, apart from the neighboring Philadelphia.

Management reports that while the economy has remained stable recently, it has seen steady growth; management, however, expects the economy to remain stable over the next few years. Residents have direct access to employment throughout the Philadelphia employment base. County unemployment averaged 6.5% in 2015, above the state's 5.6% and the nation's 5.3%.

The property tax base has decreased by 1.5% since fiscal 2013 to $3.1 billion in fiscal 2016. Market value is $3.4 billion in fiscal 2016, which is still extremely strong, in our view, at $118,126 per capita. The tax base remains very diverse with the 10 leading taxpayers accounting for roughly 8.9% of assessed value. Median household and per capita effective buying incomes are, in our opinion, very strong at 140% and 145%, respectively, of national levels.

In our opinion, overall debt is a very low $732 per capita, or 0.6% of market value. The debt service carrying charge

accounted for 6.2% of expenditures in fiscal 2014, which we view as low. We consider principal debt amortization above average with officials planning to retire 74% over 10 years and 100% over 13 years. Officials do not currently plan to issue any additional debt over the next few years.

The district participates in, and contributes to, the state-administered pension and other postemployment benefit programs. In fiscal 2014, pension contributions accounted for 7.8% of total operating expenditures.

Outlook

The negative outlook reflects S&P Global Ratings' opinion of the district's deteriorated finances. Despite various actions the district has taken to stop using reserves, we believe that with the state's levy cap law, there is, at least, a one-in-three chance the district will not rebuild fund balance to strong levels over the outlook's two-year period. If the district cannot rebuild reserves to strong levels, we will lower the rating. However, if the district were to replenish reserves, we could revise the outlook to stable.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

Credit FAQ: Financial Management Assessment In U.S. Public Finance, June 27, 2006

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Voorhees Township FD No. 3
County of Camden, New Jersey

General Obligation Refunding Bonds, Series 2016

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Voorhees Township FD No. 3
County of Camden, New Jersey
General Obligation Refunding Bonds, Series 2016

FINANCING TIMETABLE

March						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

April						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

May						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Date	Activity	Responsibility
3/3/2016	Adoption of Resolution Authorizing Submission of Local Finance Board Application - COMPLETED	Issuer
3/23/2016	Submit Local Finance Board Application - COMPLETED	BC & FA
4/6/2016	Submission of Rating Request to Standard and Poor's - COMPLETED	FA
4/13/2016	Local Finance Board Meeting - COMPLETED	All
4/21/2016	Adoption of Form & Sale Resolution	Issuer
4/25/2016	Distribution of 1st Draft of Preliminary Official Statement (POS)	FA & Auditor
4/26/2016	Rating Agency Presentation/Conference Call	FA & Issuer & Auditor
4/29/2016	Submission of Comments to 1st Draft of POS	All
5/2/2016	Distribution of 2nd Draft of POS	FA & Auditor
5/6/2016	Receipt of Rating from Standard and Poor's	FA
5/6/2016	Submission of Comments to 2nd Draft of POS	All
5/9/2016	Distribution of Final Draft of POS	FA & Auditor
5/10/2016	Submission of Final Comments to POS	All
5/11/2016	Printing/Posting of POS	FA & Auditor
Week of 5/16/2016	Pricing of Bonds	All
5/20/2016	Distribution of Draft of Official Statement (OS)	FA & Auditor
5/24/2016	Submission of Comments to Draft of OS	All
5/25/2016	Printing of Final OS	FA & Auditor
5/30/2016	Holiday - Bond Market Closed	
5/31/2016	Pre-Closing of the Bonds	All
6/1/2016	Closing of the Bonds	All