

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Edison, NJ's GOULT bonds; outlook stable

22 Nov 2021

New York, November 22, 2021 -- Moody's Investors Service has assigned a Aa2 rating to the Township of Edison, NJ's \$93.2 million General Obligation Bonds, consisting of \$78 million General Improvement Bonds, \$8 million Water Utility Bonds and \$7.2 million Sewer Utility Bonds. The outlook is stable. Post issuance, the township will have \$113 million in outstanding general obligation bonds.

RATINGS RATIONALE

The Aa2 rating reflects the township's moderately above-average wealth and resident incomes. Its tax base has recently grown considerably and full value has surpassed its prerecession peak. The township's principle credit challenge relates to its water and sewer utilities, both of which require capital investment. In addition, control of the water system was, until recently, outsourced to a third party. The township has taken over the system, built a new water department, and is now providing full services.

Year to date financial operations are fairly positive. Management expects to break even or possibly run a small surplus. The local economy did take a hit from the pandemic but shows signs of a healthy rebound. The rating also incorporates the township's above-average leverage; while debt is modest, unfunded pension and OPEB liabilities are significant.

RATING OUTLOOK

The stable outlook reflects the township's large, stable tax base and satisfactory financial position which will remain sound despite the pandemic thanks to healthy collections and conservative budgeting.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Continued tax base expansion
- Increased resident wealth and incomes
- Significant increase in reserves

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material deterioration of the tax base
- Reduced resident wealth and incomes
- Significant depletion of reserves

LEGAL SECURITY

Debt service on the bonds and notes is backed by the township's pledge of its full faith and credit and its legal obligation to levy ad valorem tax on all taxable property for the payment of debt service without limit as to rate or amount.

USE OF PROCEEDS

Proceeds from the bonds will be used to permanently finance the township's outstanding notes. The notes were originally issued to finance various capital projects.

PROFILE

Edison is a near suburb of New York City (Aa2 stable). The township has just over 100,000 residents.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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