

RatingsDirect®

Summary:

Woodbridge Township, New Jersey; General Obligation; Note

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Credit Profile		
US\$81.596 mil BANs dtd 03/17/2023 due 03/15/2024		
<i>Short Term Rating</i>	SP-1+	New
Woodbridge Twp BANs dtd 03/17/2023 due 03/15/2024		
<i>Short Term Rating</i>	SP-1+	Affirmed
Woodbridge Twp GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' rating to Woodbridge Township, N.J.'s approximately \$81.596 million series 2023 general obligation (GO) bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the township's existing GO debt.
- The outlook, where applicable, is stable.

Security

The township's full-faith-and-credit GO pledge secures the bonds and notes. Officials intend to use series 2023 bond proceeds to finance various capital projects in line with management's capital planning.

The short-term rating reflects our criteria for evaluating and rating BANs. The BANs are a GO of the township. In our view, Woodbridge maintains a very strong capacity to make principal-and-interest payments when BANs come due. The township also maintains what we view as a high market-risk profile based on the amount of BANs outstanding relative to existing debt; and it has strong legal authority to issue long-term debt to take out the BANs and it is a frequent debt issuer that regularly provides ongoing disclosure to market participants.

Credit overview

Woodbridge is primarily residential with easy access to New York City's labor market. Management leverages its location to attract economic development projects through its payment-in-lieu-of-taxes (PILOT) programs. Several PILOT plans for commercial and industrial development are underway and in the pipeline, which we expect will continue to contribute to economic growth.

The township maintains the majority of its reserves in its current fund. Its reserve position is maintained between 14%-16% over the last three fiscal years, supported by positive financial performance which relies on property tax collections (60% of revenues). Management attributes the surplus to conservative budgeting and higher-than-budgeted PILOT revenue.

Through budgetary savings, Woodbridge makes additional payments on BANs outstanding at fiscal year-end. Despite these paydowns, the township achieved surpluses in a majority of the past few years, providing it with substantial flexibility. Otherwise, if it did not make these payments, we would expect higher reserves. By consistently making these prepayments, in our view, the township demonstrates very strong budgetary flexibility.

Officials are working on a fiscal 2024 budget, and are expecting revenues from six PILOTs to be included, which will likely help offset increasing costs associated with rising health care costs and inflation. The township has remained within the state-mandated levy cap, historically levying slightly less than the maximum. Based on current PILOT agreements, it will receive more than \$1.3 billion of additional revenue through fiscal 2052.

Our view of Woodbridge's management environment remains strong and the township continues to adhere to financial policies discussed in our last summary analysis on the township, published March 19, 2021, on RatingsDirect. We note that long-term planning updates have been inconsistent in fiscal 2023 due to uncertainty related to inflation, and officials indicate that they intend to reinstate them in the next budget cycle as part of their discussion with their new auditors. If regular long-term planning practices for either the budget or capital do not materialize, it could weaken our view of the financial management assessment, and subsequently pressure the rating.

After this issuance, Woodbridge will have about \$218.8 million in debt outstanding, of which a high proportion (59.5% or \$130.1 million) is made up of BANs, a somewhat unique feature of this credit, which introduces refinancing risk in the event of a market shock within the short term. The township intends to borrow \$13 million annually as part of its capital improvement plan, which will be somewhat offset by amortized debt. Woodbridge's elevated pension expenses, which is typical across New Jersey municipalities, are a credit weakness. Across the two plans in which Woodbridge participates, its proportionate share of the net pension liability is \$269.6 million. While Woodbridge is currently managing pension costs, we think the township has a limited ability to control liability growth due to state restrictions. The township does not provide other postemployment benefits, so it does not have any reported liability. (For more details and information on these risks, see "Pension Spotlight: New Jersey," published June 21, 2022.)

The rating reflects our view of Woodbridge's:

- Stable economic base with access to New York;
- Consistent financial performance;
- Strong financial-management policies and practices, and a strong institutional framework score; and
- High debt with refinancing risk associated with short-term notes, with some pressure from pension costs.

Environmental, social, and governance

We have analyzed the township's environmental and social risks relative to its economy, management, financial measures, and debt-and-liability profile; we view them as neutral within our credit analysis. We view the state's governance of its pension plans as a weakness for New Jersey local governments.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that Woodbridge will likely sustain healthy reserves and consistent performance, but if long-term financial planning is not implemented as planned, our view of management's policies and practices would deteriorate.

Downside scenario

We could lower the rating if long-term pressure related to retirement obligations or other needs were to lead to significant draws on reserves with no plan to restore, or if long-term planning practices remain inconsistent, particularly if performance results are mixed over the next two years.

Upside scenario

We could raise the rating if the township were to reduce debt and its exposure to BANs, and economic metrics improved, while managing retirement costs and maintaining very strong budgetary flexibility through positive financial operations.

Woodbridge Twp, NJ -- Key Credit Metrics				
	Most recent	Historical information		
		2022	2021	2020
Strong economy				
Projected per capita EBI % of U.S.	102			
Market value per capita (\$)		137,678		
Population		103,639	98,326	99,066
County unemployment rate(%)			5.7	
Market value (\$000)		14,268,838	12,857,999	12,596,647
Ten largest taxpayers % of taxable value	11.7			
Strong budgetary performance				
Operating fund result % of expenditures		1.6	1.4	(1.9)
Total governmental fund result % of expenditures		1.6	1.4	(1.9)
Very strong budgetary flexibility				
Available reserves % of operating expenditures		16.2	14.5	15.3
Total available reserves (\$000)		32,914	34,200	26,615
Very strong liquidity				
Total government cash % of governmental fund expenditures		33	26	25
Total government cash % of governmental fund debt service		338	260	155
Very strong management				
Financial Management Assessment	Strong			
Very weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		9.9	10.0	15.9
Net direct debt % of governmental fund revenue	98			
Overall net debt % of market value	2.0			

Woodbridge Twp, NJ -- Key Credit Metrics (cont.)

	Most recent	Historical information		
		2022	2021	2020
Direct debt 10-year amortization (%)	35			
Required pension contribution % of governmental fund expenditures		7.2		
OPEB actual contribution % of governmental fund expenditures		5.0		

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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