

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa2 to Elizabeth, NJ's \$23 million Series 2024 General Obligation Bonds; affirms outstanding Aa2

22 Apr 2024

New York, April 22, 2024 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to the City of Elizabeth, NJ's \$23 million General Obligation Bonds, Series 2024, consisting of \$11 million General Improvement Bonds and \$12 million Sewer Utility Bonds. Moody's has affirmed the city's Aa2 issuer rating, the Aa2 ratings on the city's outstanding general obligation bonds, and the Aa2 ratings on city-guaranteed bonds issued by the Elizabeth Parking Authority. Moody's has also removed the stable outlook on the city. Elizabeth has about \$185 million of debt outstanding as of the end of fiscal 2023. The removal of the stable outlook is because Moody's does not assign outlooks to local governments with this amount of debt outstanding.

RATINGS RATIONALE

The Aa2 issuer rating captures excellent financial management, which will ensure the city will preserve its strong financial position. The city holds very healthy reserves (available fund balance is 60.9% of revenue) and demonstrates conservative budgeting and sound long-term financial planning. Elizabeth's strong fiscal condition is an important strength in light of its local tax base, which is not as wealthy as most highly rated peers in the state. The city's median household income adjusted for the regional cost of living is 70.6% of the US median, which is among the lowest income figures out of more than 200 rated NJ municipalities. Favorably, the city's base is growing (full value has jumped more than 10% in each of the past two years, and population is up 8% over the past decade), owing to its favorable location near Newark Airport and major NJ highways, and good transit options into New York City. The growing base, strong financial management, and moderate leverage will keep the city's credit profile in a solid position going forward.

The Aa2 ratings on the city's general obligation bonds and the Elizabeth Parking Authority's city-guaranteed bonds recognize the general obligation pledge of the city supporting the bonds, either directly for the general obligation bonds or via a guaranty agreement for the parking authority bonds.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Strengthening of resident income ratio to at least 100% of the US median
- Significant decline in leverage

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Decline in available fund balance below 45% of revenue
- Significant increase in leverage
- Capital requirements for sewer system driving need for substantial debt issuances and rate increases

LEGAL SECURITY

The bonds are general obligations of the city, and the city has pledged its full faith and credit for payment of principal and interest on the bonds.

USE OF PROCEEDS

Proceeds of the bonds will be used to fund various capital projects, including road reconstruction and sewer system upgrades.

PROFILE

The City of Elizabeth is the fourth-largest municipality in New Jersey, with a population of 135,665. It is the county seat of Union County, and is located just south of Newark.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. An additional methodology used in the guaranteed ratings was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moodys.com/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these

methodologies.

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