

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aaa to Freehold Township, NJ's 2024 Bonds

27 Sep 2024

New York, September 27, 2024 -- Moody's Ratings (Moody's) has assigned a Aaa rating to Freehold Township, NJ's proposed \$14.2 million General Obligation Bonds, Series 2024, consisting of \$9 million General Improvement Bonds, Series 2024 (Callable) and \$5.2 million Water/Sewer Utility Bonds, Series 2024 (Callable). We maintain a Aaa issuer rating on the township and Aaa ratings on its outstanding general obligation bonds. The township has approximately \$85 million of debt outstanding.

RATINGS RATIONALE

Freehold's Aaa issuer rating recognizes a strong financial management team that will preserve an excellent financial position - Moody's-adjusted available fund balance as of 2023 was well above peers at 57% of revenue, and is unlikely to decline significantly given ongoing tax base growth and a willingness to continue increasing the tax levy. Freehold is a wealthy community (median household income adjusted for regional purchasing power is 154.1% of the US median, and full value per capita is nearly \$270,000), and development continues to add to the tax rolls. Freehold's one credit weakness relative to the Aaa rating is its leverage, in particular its other post-employment benefits. Moody's-adjusted long-term liabilities are 380% of revenue, with OPEB representing the biggest component of that. Favorably, the township has clearly shown an ability to maintain a balanced budget while paying these benefits on a pay-as-you-go basis, and has also enacted certain reforms to contain the liability in the future.

The Aaa rating on the township's general obligation bonds is based on its full faith and credit pledge.

RATING OUTLOOK

We do not maintain outlooks for local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Sustained decrease in available fund balance below 25%
- Reversal of strong growth trends in local economy
- Difficulties in managing or containing OPEB liability

LEGAL SECURITY

The general obligation bonds are backed by the full faith and credit and taxing power of the township.

USE OF PROCEEDS

Nearly all the proceeds of the bonds will be used to redeem outstanding short-term notes. A small portion (\$200,000) will provide new money for capital projects.

PROFILE

Freehold Township is located in Monmouth County (Aaa stable), about 50 miles south of New York City (Aa2 stable). The township has a population of about 36,000.

METHODOLOGY

The principal methodology used in this rating was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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