



Rating Action: Moody's Ratings assigns Baa3 und./A2 enh. ratings to Union City, NJ's 2025 bonds

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New York, June 09, 2025 -- Moody's Ratings (Moody's) has assigned a Baa3 underlying and A2 enhanced ratings to the City of Union City, NJ's \$6.7 million General Obligation Bonds, Series 2025 (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c.38, as amended). We have affirmed the city's outstanding issuer, general obligation, and GO-backed guaranteed ratings at Baa3. We maintain an A2 enhanced rating on the city's qualified bonds. The city had around \$100 million in total debt outstanding at the end of 2023.

RATINGS RATIONALE

The Baa3 issuer rating reflects the city's very narrow but stable reserve position that is not expected to materially change in the near-term. The city benefits from state oversight and financial support, in the form of transition aid, which is helping to balance its budget. Fiscal 2024 unaudited results are showing flat reserves from 2023. The 2025 budget does include the use of fund balance and a tax levy increase to balance operations. The city does have some cash flow issues that have arose in 2025 due to changes in timing of state aid receipts. Leverage is manageable with no material capital plans in the future.

The Baa3 general obligation and GO-backed guaranteed ratings are at the same level as the issuer rating reflecting its unlimited tax pledge that supports the bonds, either directly or via a guarantee agreement.

The A2 enhanced rating is at the same level as the programmatic rating (New Jersey Municipal Qualified Bond Program; A2 positive) reflecting the very strong debt service to state aid coverage.

RATING OUTLOOK

We do not assign outlooks to local government issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained increase in fund balance to above 10% of revenues
- Decline in leverage to 275% of revenues
- Material improvement in resident income and wealth levels

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Any decline in fund balance in 2025
- Increase in leverage to above 400% of revenues

PROFILE

Union City is located in Hudson County, directly west of New York City. The city is home to approximately 67,000 residents.

METHODOLOGY

The principal methodology used in the issuer and underlying ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. An additional methodology used in the dependent rating 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>. The principal methodology used in the enhanced rating was US State Aid Intercept Programs and Financings published in February 2024 and available at <https://ratings.moodys.com/rmc-documents/415020>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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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