

ISSUER COMMENT

1 June 2021

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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Borough of Edgewater, NJ

Annual Comment on Edgewater

Issuer Profile

The Borough of Edgewater is located in Bergen County, New Jersey, between the Hudson River and the Palisades, directly west of northern New York City. The county has a population of 930,390 and a high population density of 3,973 people per square mile. The county's median family income is \$122,981 (1st quartile) and the March 2021 unemployment rate was 7.4% (4th quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and professional/scientific/technical services.

Credit Overview

The credit position for Edgewater is very good, and its Aa2 rating is slightly stronger than the median rating of Aa3 for cities nationwide. Key credit factors include a robust financial position, a very strong wealth and income profile and a sizable tax base. It also reflects an affordable debt burden and a mid-ranged pension liability.

Finances: The borough has a robust financial position, which is relatively favorable in comparison to the assigned rating of Aa2. Edgewater's cash balance as a percent of operating revenues (35.8%) is roughly equivalent to the US median, and remained stable between 2015 and 2019. Moreover, the fund balance as a percent of operating revenues (33.5%) is on par with other Moody's-rated cities nationwide. Moody's makes certain adjustments to New Jersey local governments' fund balances to include receivables and reserves that would be eligible to be included in fund balance under GAAP accounting but are excluded as a result of state statutory accounting regulations.

Economy and Tax Base: The economy and tax base of the borough are very strong overall and are relatively favorable with respect to its Aa2 rating. The full value per capita (\$335,599) is above the US median, and increased from 2015 to 2019. Additionally, the median family income is a robust 183.2% of the US level while Edgewater's total full value (\$4.1 billion) exceeds other Moody's-rated cities nationwide.

Debt and Pensions: Overall, the debt and pension liabilities of the borough are affordable. The net direct debt to full value (1.2%) is on par with the US median, and was flat from 2015 to 2019. Additionally, the Moody's-adjusted net pension liability to operating revenues (1.7x) is consistent with the US median.

Management and Governance: New Jersey municipalities have an Institutional Framework score ³ of "Aa," or strong. Revenues are moderately predictable and mostly consist of property taxes; however, cities are required to make county and school district tax levies whole in the event of tax appeals. Revenue-raising ability is moderate as cities are constrained by a 2% cap on the property tax levy. Cities can raise the levy above the cap for

debt service, pensions and certain qualified expenses. Expenditures, which primarily consist of personnel and public safety, are highly predictable. Cities have a moderate ability to adjust costs given the presence of collective bargaining and high fixed costs.

Sector Trends - New Jersey Cities

Despite the ongoing pandemic, New Jersey cities as a whole will remain stable given a reliance on property taxes and highly predictable expenditures (most pandemic expenses are being paid for by the counties). Prior to the pandemic, the state economy had been expanding, albeit lagging the nation, and regions in proximity to New York City were benefitting from the spill-over effect of residential and commercial development. Growth is likely to slow as a result of the pandemic and municipalities with weak economic profiles or a high dependence on state aid are the most vulnerable to credit deterioration.

EXHIBIT 1

Key Indicators ⁴ ⁵ Edgewater

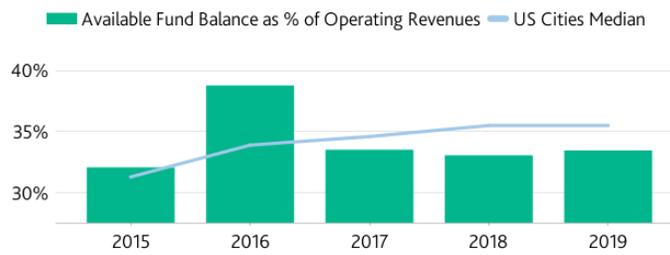
	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$3,065M	\$3,275M	\$3,533M	\$3,742M	\$4,088M	\$2,024M	Improved
Full Value Per Capita	\$256,863	\$272,996	\$290,505	\$307,165	\$335,599	\$97,657	Improved
Median Family Income (% of US Median)	183%	185%	182%	183%	183%	114%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	32.1%	38.8%	33.5%	33.1%	33.5%	35.5%	Stable
Net Cash Balance as % of Operating Revenues	33.5%	33.8%	37.9%	34.8%	35.8%	40.0%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	1.3%	1.6%	1.4%	1.4%	1.2%	1.1%	Stable
Net Direct Debt / Operating Revenues	1.51x	1.89x	1.69x	1.70x	1.57x	0.82x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.2%	1.3%	1.4%	1.3%	1.2%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.47x	1.58x	1.62x	1.66x	1.65x	1.57x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	11,935	11,998	12,165	12,184	12,184	N/A	
Available Fund Balance (\$000s)	\$8,351	\$10,583	\$10,064	\$9,821	\$10,126	\$8,489	
Net Cash Balance (\$000s)	\$8,711	\$9,224	\$11,363	\$10,322	\$10,838	\$9,759	
Operating Revenues (\$000s)	\$26,028	\$27,296	\$30,020	\$29,697	\$30,260	\$36,135	
Net Direct Debt (\$000s)	\$39,306	\$51,466	\$50,775	\$50,613	\$47,622	\$19,137	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$38,236	\$43,218	\$48,484	\$49,244	\$49,869	\$38,399	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

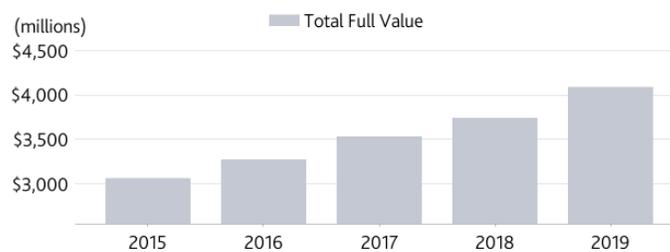
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

Full value of the property tax base increased from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Tax base expansion bolsters revenue, but pensions remain a hurdle \(May 2020\)](#), which is available on [Moody's.com](#). The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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