



Rating_Action: Moody's upgrades Irvington, NJ's GOULT to Baa3 & assigns Baa3 issuer rating; outlook stable

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New York, January 11, 2023 – Moody's Investors Service has upgraded the Township of Irvington, NJ's general obligation unlimited tax (GOULT) rating to Baa3 from Ba1. Concurrently, we have assigned a Baa3 issuer rating. The issuer rating reflects the township's ability to repay debt and debt-like obligations without consideration of any pledge, security or structural features. The township has roughly \$80.6 million in debt outstanding, as of the most recent audit. This action concludes a review for possible upgrade initiated on November 3, 2022 in conjunction with release of the US Cities and Counties Methodology. The ratings under review outlook has been revised to stable.

RATINGS RATIONALE

The Baa3 issuer rating reflects the township's very high leverage and low wealth and income. These weaknesses are only partially offset by recently improved finances and weak albeit improving governance and administration. The township is also favorably located in Essex County (Aa1 stable) in commuting distance to New York City (Aa2 stable).

Irvington's finances have strengthened in recent years and will remain satisfactory due to a much improved collection rate. In 2020, the township's Moody's-adjusted available fund balance and net current assets increased to \$13.8 million or 11.7% of total revenues. Going forward, preliminary 2021 and 2022 figures show the township maintained fairly stable finances. Notably, the township received a considerable amount of federal funding and, as a result, has not had to issue its usual cashflow notes.

The township's leverage will remain high over the medium term. As of the end of 2020, debt amounted to \$80.6 million or 0.7x revenues. In addition, the township has substantial pension liabilities. Moody's adjusted net pension liability amounts to just under \$497 million or an elevated 4.2x revenues.

The absence of distinction between the issuer and GOULT ratings reflects the township's general obligation full faith and credit pledge as well as an unlimited property tax that is dedicated to debt service.

RATING OUTLOOK

The stable outlook reflects Moody's expectation that, although there have been material financial and economic improvements, it will take the township time to improve its credit quality to a level commensurate with a higher rating category.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Increased resident income and wealth

- Material improvement in the township's finances including a sustained reduction in cashflow borrowing
- Continued improvements in governance including timely budget adoption, more timely audited financial reporting, and reduced audit findings
- Reduced leverage

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material deterioration in the township's finances
- Increased long-term leverage
- Failure to continue improving governance

LEGAL SECURITY

Debt service on the township's bonds is backed by the pledge of its full faith and credit and its legal obligation to levy ad valorem tax on all taxable property for the payment of debt service without limit as to rate or amount.

PROFILE

Irvington is located in Essex County immediately adjacent to Newark (Baa2 stable). Its 54,000 residents have easy access to jobs opportunities within northern New Jersey (A2 positive) and greater New York City. Nevertheless, the population has been declining steadily for years, poverty is high, and wealth and income are low.

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/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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