

**Rating Action: Moody's Upgrades Essex County, NJ's GO to Aa1; Assigns Aa1 to \$92.4M GO/Guar. Bonds & MIG 1 to \$58.5M BANs**

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Global Credit Research - 11 Aug 2017

New York, August 11, 2017 -- Issue: Project Consolidation Revenue Refunding Bonds, Series 2017; Rating: Aa1; Rating Type: Underlying LT; Sale Amount: \$43,250,000; Expected Sale Date: 09/14/2017; Rating Description: General Obligation;

Issue: General Improvement Bonds, Series 2017A; Rating: Aa1; Rating Type: Underlying LT; Sale Amount: \$18,665,000; Expected Sale Date: 08/29/2017; Rating Description: General Obligation;

Issue: County Vocational School Bonds, Series 2017B; Rating: Aa1; Rating Type: Underlying LT; Sale Amount: \$28,000,000; Expected Sale Date: 08/29/2017; Rating Description: General Obligation;

Issue: County College Bonds, Series 2017C; Rating: Aa1; Rating Type: Underlying LT; Sale Amount: \$1,250,000; Expected Sale Date: 08/29/2017; Rating Description: General Obligation;

Issue: County College Bonds, Series 2017D; Rating: Aa1; Rating Type: Underlying LT; Sale Amount: \$1,250,000; Expected Sale Date: 08/29/2017; Rating Description: General Obligation;

Issue: Bond Anticipation Notes, Series 2017; Rating: MIG 1; Rating Type: Underlying ST; Sale Amount: \$58,495,000; Expected Sale Date: 08/29/2017; Rating Description: Note: Bond Anticipation;

**Summary Rating Rationale**

Moody's Investors Service has assigned a Aa1 to Essex County, NJ's \$49.2 million General Obligation Bonds, Series 2017 consisting of \$18.7 million General Improvement Bonds, Series 2017A, \$28 million County Vocational School Bonds, Series 2017B, \$1.3 million County College Bonds, Series 2017C and \$1.3 million County College Bonds, Series 2017D. We have also assigned a Aa1 to the Essex County Improvement Authority's (ECIA) \$43.3 million Project Consolidation Revenue Refunding Bonds, Series 2017 and a MIG 1 to the county's \$58.5 million Bond Anticipation Notes, Series 2017. The ECIA bonds are backed by a county guarantee. Concurrently, we have upgraded the county's GO and GO secured debt to Aa1. The outlook has been revised from positive to stable.

The Aa1 rating reflects the county's large and diverse tax base with wealth metrics below state medians but above national medians, growing reserves, and modest debt position. The MIG 1 short-term rating reflects the county's strong fundamental credit quality, excellent liquidity, and established record of market access.

**Rating Outlook**

The stable outlook reflects our expectations that the county's finances and economy will remain strong.

**Factors that Could Lead to an Upgrade**

Positive financial operations leading to increases in Current Fund reserves

Material improvement in the county's wealth and income indices

**Factors that Could Lead to a Downgrade**

Decreases in Current Fund balance

Weakened liquidity or return to cash flow borrowing for operations

**Legal Security**

Debt service on the county bonds and notes are secured by the county's general obligation unlimited ad valorem tax pledge. Debt service on the ECIA bonds is secured by the county's general obligation unlimited ad

valorem tax pledge via the provisions of a county guaranty. Under the guaranty, the county shall be unconditionally and irrevocably obligated to levy ad valorem taxes for the payment of debt service, without limitation as to rate or amount.

#### Use of Proceeds

Proceeds from the county bonds will be used to finance various capital projects throughout the county, most notably in relation to the county vocational school and county college. The county notes will be used to temporarily finance various capital projects. The ECIA bonds will be used to partially refund and consolidate various older ECIA bonds for savings. The county expects to achieve net present value savings of \$5.3 million or 14.5% of refunded principal.

#### Obligor Profile

The county encompasses 22 municipalities in northeastern New Jersey (A3 stable).

#### Methodology

The principal methodology used in the general obligation rating was US Local Government General Obligation Debt published in December 2016. The additional methodology used in the ECIA rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017. The principal methodology used in the short term rating was US Bond Anticipation Notes published in April 2014. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

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