

CREDIT OPINION

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Contacts

Anik Hoque +1.212.553.3263
Associate Lead Analyst
anik.hoque@moodys.com

Orlie Prince +1.212.553.7738
Senior Vice President/Manager
orlie.prince@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

Borough of Glen Rock, NJ

Update to credit analysis

Summary

The Borough of Glen Rock, NJ (Aa2) benefits from a favorable location near New York City (Aa2 stable), and a stable local economy with high resident wealth and income levels. These benefits are somewhat offset by the borough's below-average reserve levels and above-average leverage and fixed costs for the Aa2 rating category.

On April 19, 2024, Moody's assigned a Aa2 rating to the borough's proposed \$15.8 million General Improvement Bonds.

Credit strengths

- » Stable local economy with a favorable location near New York City
- » Strong resident wealth and income levels

Credit challenges

- » Sufficient but below-average reserves and liquidity for the Aa2 rating category
- » Above-average leverage driven by pension and OPEB liabilities

Rating outlook

Moody's Ratings does not assign outlooks to local governments with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Increase in the available fund balance ratio to 40% or higher
- » Decrease in the long-term liabilities ratio to 200% or lower

Factors that could lead to a downgrade

- » Decrease in the available fund balance ratio to 15% or lower
- » Significant contraction of the local economy
- » Material increase to long-term liabilities

Key indicators

Exhibit 1

Glen Rock (Borough of) NJ

	2019	2020	2021	2022	Aa Medians
Economy					
Resident income ratio (%)	258.9%	237.9%	229.9%	238.5%	115.2%
Full Value (\$000)	\$2,655,079	\$2,706,288	\$2,770,171	\$2,762,234	\$2,753,876
Population	11,780	11,747	12,098	12,086	22,803
Full value per capita (\$)	\$225,389	\$230,381	\$228,978	\$228,548	N/A
Annual Growth in Real GDP	2.1%	-3.5%	4.8%	2.5%	4.9%
Financial Performance					
Revenue (\$000)	\$18,989	\$18,742	\$20,663	\$20,922	\$49,930
Available fund balance (\$000)	\$4,999	\$4,606	\$5,324	\$5,271	\$27,007
Net unrestricted cash (\$000)	\$7,816	\$6,741	\$7,015	\$7,754	\$36,277
Available fund balance ratio (%)	26.3%	24.6%	25.8%	25.2%	54.0%
Liquidity ratio (%)	41.2%	36.0%	33.9%	37.1%	75.9%
Leverage					
Debt (\$000)	\$16,671	\$15,121	\$20,295	\$18,702	\$35,831
Adjusted net pension liabilities (\$000)	\$46,659	\$62,734	\$41,043	\$35,136	\$55,367
Adjusted net OPEB liabilities (\$000)	\$16,927	\$16,927	\$21,761	\$20,337	\$5,248
Other long-term liabilities (\$000)	\$633	\$739	\$650	\$646	\$1,716
Long-term liabilities ratio (%)	426.0%	509.6%	405.3%	357.6%	244.9%
Fixed costs					
Implied debt service (\$000)	\$1,109	\$1,215	\$1,083	\$1,423	\$2,465
Pension tread water contribution (\$000)	\$1,571	\$1,601	\$1,569	\$1,309	\$1,563
OPEB contributions (\$000)	\$434	\$434	\$379	\$413	\$178
Implied cost of other long-term liabilities (\$000)	\$46	\$46	\$53	\$46	\$116
Fixed-costs ratio (%)	16.6%	17.6%	14.9%	15.3%	10.7%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area.

Sources: US Census Bureau, Glen Rock (Borough of) NJ's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The borough of Glen Rock is located in Bergen County (Aaa stable), approximately 22 miles west of New York City, with an estimated population of 12,100

Detailed credit considerations

Glen Rock's local economy is poised for stability in the near to medium term, underpinned by its robust wealth levels and favorable location. Situated 22 miles west of New York City, this borough draws its appeal from a wealthy tax base and convenient transportation access, with two New Jersey Transit train lines intersecting the town center. Although the borough's growth in terms of tax base may be restrained, given it's largely built out, the \$2.9 billion tax base has exhibited a steady compound annual growth rate of 3% since 2018. Resident wealth levels are very strong with a median household income (adjusted for regional price parity) of 238.5% of the US MHI. Accordingly, resident property wealth is also strong with equalized value per capita of \$228,548 as of 2022.

The borough's finances are healthy and will remain largely stable in the near term. As of year-end 2022, the borough had an adjusted available fund balance of \$5.3 million, or a solid 25.2% of revenue. The borough's operations have tracked close to budget over the last several years, adding modest amounts to reserves each year. However, the unaudited figures for 2023 indicate a slight dip in the adjusted available fund balance, which is expected to fall to \$4.8 million, or 22.2% of revenue. This contraction is primarily attributed to increased expenditures, coupled with a restrained increase in the tax levy. The borough's management team increased the property tax levy by 5% in 2023, which was not enough to avoid a deficit. Favorably, the 2024 budget shows a tax levy increase of 9%, which should help address the increase in expenditures. While borough management anticipates a modest reduction in reserves of

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approximately \$200,000 by the end of 2024, they are confident that this is a temporary situation. The reserves are expected to regain stability thereafter, ensuring the borough's continued financial resilience.

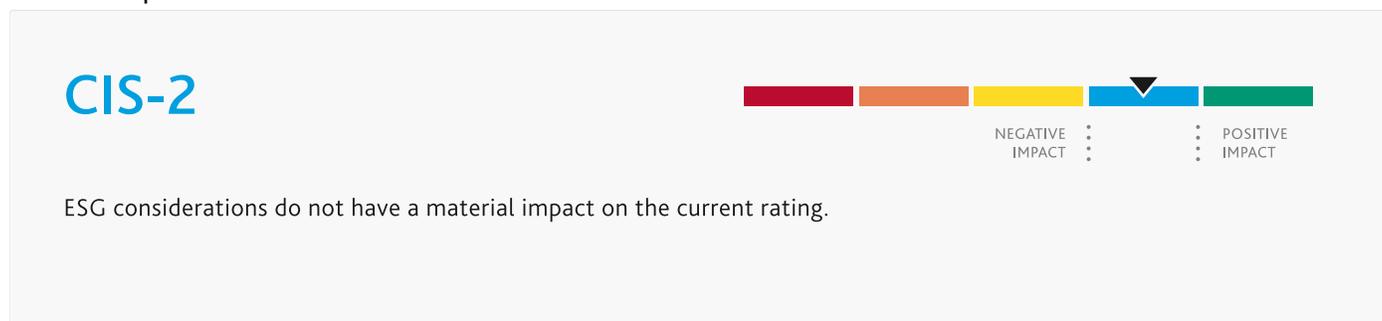
The borough's leverage is above-average but manageable. As of year-end 2022, the borough had \$74.8 million in long-term liabilities, or 358% of revenue. Management intends to issue a modest amount of debt annually to pay for various routine capital projects.

ESG considerations

Glen Rock (Borough of) NJ's ESG credit impact score is CIS-2

Exhibit 2

ESG credit impact score



Source: Moody's Ratings

The borough's ESG credit impact score is neutral-to-low (**CIS-2**), reflecting neutral to low exposure to governance, and social risks, while environmental risks are moderately negative.

Exhibit 3

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The borough's overall environmental issuer profile score is moderately-negative (**E-3**). While carbon transition, water, natural capital, and pollution risks are modest, the borough is exposed to rising sea levels and storm-related risks. Favorably, multiple levels of government are engaged in projects related to the health and upkeep of the Hudson River and other infrastructure projects.

Social

Exposure to social reflects neutral-to-low risk (**S-2**). The borough benefits from strong labor and income metrics along with being very well educated and overall generally safe. In contrast, the high cost of living and housing prices in the area poses a challenge. Residents have easy access to basic services.

Governance

The borough's issuer profile score reflects neutral-to-low (**G-2**) risk. Government operations are managed by certified and experienced professionals who are responsible for implementing its policy objectives. This, plus a combination of a strong state-wide institutional framework and generally conservative budgeting, has allowed for stable and strong financial operations. Finally, management is

generally prompt in publishing its budgets and audited financial statements. Monthly or quarterly interim statements are not available publicly.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 4

Glen Rock (Borough of) NJ

	Measure	Weight	Score
Economy			
Resident income ratio	238.5%	10.0%	Aaa
Full value per capita	242,973	10.0%	Aaa
Economic growth metric	-0.4%	10.0%	Aa
Financial Performance			
Available fund balance ratio	25.2%	20.0%	Aa
Liquidity ratio	371%	10.0%	Aa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	357.6%	20.0%	Baa
Fixed-costs ratio	15.3%	10.0%	A
Notching factors			
Additional Strength in Local Resources	0.5		
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			Aa3
Assigned Rating			Aa2

The Economic Growth metric cited above compares the five-year CAGR of real GDP for New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Glen Rock (Borough of) NJ's financial statements and Moody's Ratings

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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