

## CREDIT OPINION

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# Borough of Kenilworth, NJ

Update to credit analysis

### Summary

The [Borough of Kenilworth](#), NJ's (Aa2) credit profile is supported by a small but economically robust tax base, a solid financial position that will remain strong, and a moderate leverage profile consistent with many peers in the state.

With a population of only about 8,400, Kenilworth is a borough with a large industrial component – about 40% of its \$2.6 billion of equalized taxable value consists of commercial or industrial properties. This aspect of the borough's base lends a dynamic element to the local economy, but also introduces occasional volatility, as evidenced by the decline in assessed valuation that accompanied Merck's decision to move its headquarters out of the borough in 2023.

The sale of the Merck property to CoreWeave to build a data center will not only bolster assessed valuation in the next few years, it generated substantial building permit fees that drove the borough's financial position to a new high in 2025. Based on an unaudited financial statement, Kenilworth's available fund balance now sits at 38.8%, a level we anticipate will be maintained for the time being.

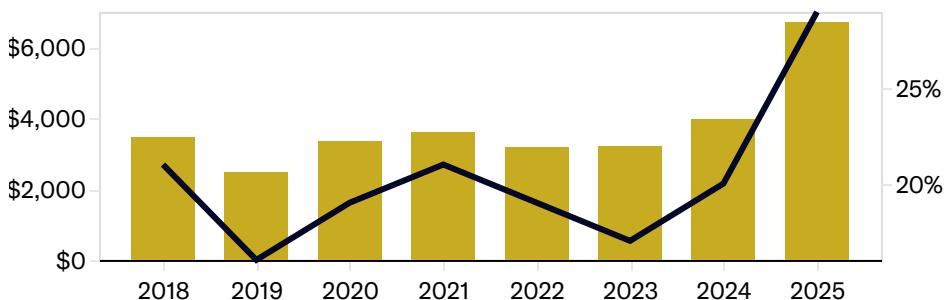
Leverage at 210.8% of revenue (including debt, pension, and OPEB) is comparable to many peers in the state. As the borough does not have significant capital investment needs, this ratio is unlikely to worsen going forward.

#### Exhibit 1

#### Kenilworth's fund balance has reached a new high

Current Fund balance

■ Current Fund balance — % of revenue



2025 results are unaudited  
Source: Borough of Kenilworth

## Credit strengths

- » Strong financial position with fund balance at a new high
- » Economically robust tax base with significant commercial/industrial component
- » Conservative financial management

## Credit challenges

- » Moderate leverage
- » Some volatility in assessed valuation in tax base due to commercial/industrial component
- » Small nominal size

## Rating outlook

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

## Factors that could lead to an upgrade

- » Available fund balance consistently above 40%
- » Further moderation of leverage

## Factors that could lead to a downgrade

- » Renewed volatility in assessed valuation caused by closures of industrial properties
- » Available fund balance slipping below 25%

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Kenilworth (Borough of) NJ

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	135.4%	114.9%	143.0%	N/A	114.1%
Full Value (\$000)	\$1,629,457	\$1,778,779	\$2,072,482	\$2,386,048	\$2,888,367
Population	8,377	8,345	8,339	N/A	22,430
Full value per capita (\$)	\$194,516	\$213,155	\$248,529	N/A	\$125,640
Annual Growth in Real GDP	5.1%	2.2%	1.6%	N/A	2.0%
<b>Financial Performance</b>					
Revenue (\$000)	\$16,900	\$16,909	\$18,474	\$20,038	\$52,335
Available fund balance (\$000)	\$5,017	\$5,037	\$5,345	\$6,422	\$29,526
Net unrestricted cash (\$000)	\$6,609	\$7,183	\$7,027	\$8,123	\$41,432
Available fund balance ratio (%)	29.7%	29.8%	28.9%	32.0%	57.1%
Liquidity ratio (%)	39.1%	42.5%	38.0%	40.5%	79.6%
<b>Leverage</b>					
Debt (\$000)	\$9,320	\$11,134	\$11,352	\$11,410	\$37,305
Adjusted net pension liabilities (\$000)	\$36,582	\$27,393	\$21,491	\$20,843	\$45,496
Adjusted net OPEB liabilities (\$000)	\$17,819	\$14,357	\$14,657	\$16,713	\$4,376
Other long-term liabilities (\$000)	\$811	\$751	\$750	\$644	\$1,726
Long-term liabilities ratio (%)	381.8%	317.2%	261.2%	247.6%	210.2%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$658	\$654	\$778	\$789	\$2,477
Pension tread water contribution (\$000)	\$1,401	\$1,091	\$1,165	\$1,180	\$1,199
OPEB contributions (\$000)	\$455	\$695	\$511	\$467	\$179
Implied cost of other long-term liabilities (\$000)	\$55	\$57	\$52	\$52	\$115
Fixed-costs ratio (%)	15.2%	14.8%	13.6%	12.4%	9.6%

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.

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

## Profile

The Borough of Kenilworth is located in Union County in northeastern New Jersey, approximately five miles west of Newark.

## Detailed credit considerations

The Borough of Kenilworth's credit profile is in a good position, with fund balance reaching a new high in 2025. The borough's conservative financial management utilizes only modest appropriations of fund balance in the budget, and has been successful at replenishing those appropriations and in fact growing reserves in recent years.

The borough's tax base has a substantial industrial/commercial component, with about 200 properties composing 40% of the tax base. While this adds a dynamic element to the local economy for a borough of only 8,400 people, it has at times resulted in some tax base volatility, especially when Merck moved its headquarters out of the borough in 2023.

Favorably, CoreWeave has purchased the Merck property to build a data center, and building permit fees related to that project contributed to the substantial increase in fund balance in 2025.

Leverage is moderate, as is typical for municipalities in NJ.

## ESG considerations

### Environmental

The borough's environmental risks are moderate. Exposure to hurricanes and sea level rise are offset by more inland location, solid reserves, and ongoing efforts by multiple levels of government to mitigate these risks.

## Social

Social considerations are material to the borough's credit profile. The borough has high resident wealth and income levels, low poverty, low unemployment and strong demographic trends.

## Governance

New Jersey cities have a strong ability to match revenues to expenditures. While their primary operating revenue source (property taxes) is subject to state-imposed caps, there are exemptions that allow for increases without limitation or voter approval for debt service, pension, and OPEB costs.

## 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 3

### Kenilworth (Borough of) NJ

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	143.0%	10.0%	Aaa
Full value per capita	305,915	10.0%	Aaa
Economic growth metric	-0.9%	10.0%	Aa
<b>Financial Performance</b>			
Available fund balance ratio	32.0%	20.0%	Aa
Liquidity ratio	40.5%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	247.6%	20.0%	A
Fixed-costs ratio	12.4%	10.0%	Aa
<b>Notching factors</b>			
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			Aa2
<b>Assigned Rating</b>			

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

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

## Appendix

### Exhibit 4 Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
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
<b>Financial performance</b>		
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	
<b>Leverage</b>		
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 Ratings
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 Ratings
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	
<b>Fixed costs</b>		
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 Ratings
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 Ratings
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 Ratings
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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