

CREDIT OPINION

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Township of Berkeley Heights, NJ

Update to credit analysis

Summary

Berkeley Heights Township, NJ (Aa1) benefits from a favorable location in Union County (Aaa stable) within commuting distance to New York City (Aa2 stable), excellent resident wealth and income levels, healthy operations and solid financial position. These credit strengths are tempered by the township's below-average reserves and liquidity and above-average long term liabilities and fixed costs.

Credit strengths

- » Exceptionally high resident wealth and income
- » Favorable location on the NYC metro area
- » Healthy operations with solid reserves and liquidity

Credit challenges

- » Below-average reserves and liquidity for the rating category
- » Moderately above-average leverage for the rating category

Rating outlook

We do 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 45% 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 20% or lower
- » Increase in the long-term liabilities ratio to 400% or higher
- » Significant contraction of the local economy

Key indicators

Exhibit 1

Berkeley Heights (Township of) NJ

	2021	2022	2023	2024	Aa Medians
Economy					
Resident income ratio (%)	223.6%	231.3%	225.0%	N/A	114.1%
Full Value (\$000)	\$3,361,101	\$3,560,433	\$3,673,736	\$3,990,519	\$3,130,196
Population	13,147	13,120	13,121	N/A	22,330
Full value per capita (\$)	\$255,655	\$271,374	\$279,989	N/A	\$140,110
Annual Growth in Real GDP	5.1%	2.2%	1.6%	N/A	1.9%
Financial Performance					
Revenue (\$000)	\$35,266	\$24,101	\$29,569	\$29,729	\$57,424
Available fund balance (\$000)	\$9,939	\$10,607	\$11,895	\$8,885	\$31,108
Net unrestricted cash (\$000)	\$16,128	\$17,425	\$21,463	\$16,997	\$43,921
Available fund balance ratio (%)	28.2%	44.0%	40.2%	29.9%	56.8%
Liquidity ratio (%)	45.7%	72.3%	72.6%	57.2%	80.3%
Leverage					
Debt (\$000)	\$49,919	\$49,973	\$48,801	\$46,029	\$38,979
Adjusted net pension liabilities (\$000)	\$38,136	\$30,413	\$25,386	\$20,939	\$36,275
Adjusted net OPEB liabilities (\$000)	\$41,442	\$35,505	\$35,505	\$37,156	\$3,698
Other long-term liabilities (\$000)	\$778	\$836	\$814	\$648	\$1,773
Long-term liabilities ratio (%)	369.4%	484.3%	373.7%	352.4%	175.0%
Fixed costs					
Implied debt service (\$000)	\$4,292	\$3,501	\$3,490	\$3,390	\$2,605
Pension tread water contribution (\$000)	\$1,460	\$1,127	\$1,363	\$1,273	\$1,547
OPEB contributions (\$000)	\$1,248	\$1,123	\$1,123	\$1,148	\$167
Implied cost of other long-term liabilities (\$000)	\$54	\$55	\$58	\$57	\$122
Fixed-costs ratio (%)	20.0%	24.1%	20.4%	19.7%	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 Metropolitan Statistical Area.

Sources: US Census Bureau, Berkeley Heights (Township of) NJ's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Berkeley Heights is a township located within commuting distance of New York City (Aa2 stable) with a population of approximately 13,100.

Detailed credit considerations

Berkeley Heights' economy will remain a credit strength as it continues to benefit from its favorable location within easy commuting distance of New York City and its affluent and wealthy tax base. Berkeley Heights, located approximately 15 miles west of New York City, is approximately 77% residential and 20% commercial. The township reports continued redevelopment which will be positive for the local economy along with its revenue streams. These projects are in various stages of completion. Resident income levels are exceptionally strong, with an adjusted median household income equal to 225% of the US median and an equalized value per capita of \$340,292. We anticipate the local economy will remain stable and robust, anchored by its highly educated workforce, and desirability as a residential community offering a prime location and high wealth demographics.

Despite a moderate draw on reserves in 2024, the township's financial position remains solid, supported by healthy operations and conservative budgeting while reserve and liquidity are still adequate for its current rating category. At year-end 2024, the township's available fund balance was \$8.9 million, or 29.9% of revenue, down from \$11.9 million from the prior year. The decline was driven primarily by the timing of sewer connection fee receipts, which were deferred to the following year due to construction delays associated with ongoing development activity. According to unaudited figures, the township's available fund balance bounced back in 2025 but not to the extent of 2024 levels due to lower reserved savings on appropriations in 2025. The available fund balance ratio for

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year-end 2025 is expected to be 27.6%, below its peak of approximately 44% achieved a few years ago but still healthy. Management expects reserves to end 2026 in line with 2025. With reserves expected to remain nominally stable as operations continue to grow, the available fund balance ratio may modestly decline in the near term; however, we anticipate it will remain consistent with the township's current rating category.

Berkeley Heights' leverage will remain above-average for the rating category as it funds major sewer improvements requiring additional new money debt, alongside ongoing pension and OPEB liabilities. The long term liabilities ratio was 352% at year end 2024 and is expected to improve to about 316% after the Series 2026 notes, driven by higher revenues, a relatively flat debt burden and decreasing pension liabilities. Routine annual issuance of \$2.0 million–\$3.0 million should be largely offset by principal amortization, but the township also expects to add roughly \$13 million of sewer related debt in the near term.

ESG considerations

Environmental

Environmental factors do not pose a credit risk in the near-term for the township. According to county-level data from Moody's ESG Solutions, the township's highest exposures are to hurricanes, water stress and sea level rise. These exposures are mitigated by ongoing efforts to address annual infrastructure improvements and support from FEMA in the event of material storm damage.

Social

Social considerations such as wealth, income, and employment are major factors in the township's credit quality and are discussed in the detailed credit considerations section.

Governance

The townships' management team is very active in financial forecasting for both debt and finances to ensure its long-term trajectory is positive. The township works with its financial advisors to update its capital projects and debt plan annually.

New Jersey municipalities have an Institutional Framework score 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.

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. The two notch distinction between the scorecard-indicated outcome and the assigned rating is due to the township's robust local economy which heavily offsets below-average fund balance levels and above-average leverage.

Exhibit 2

Berkeley Heights (Township of) NJ

	Measure	Weight	Score
Economy			
Resident income ratio	225.0%	10.0%	Aaa
Full value per capita	340,292	10.0%	Aaa
Economic growth metric	-0.9%	10.0%	Aa
Financial Performance			
Available fund balance ratio	29.9%	20.0%	Aa
Liquidity ratio	57.2%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	352.4%	20.0%	Baa
Fixed-costs ratio	19.7%	10.0%	A
Notching factors			
Additional Strength in Local Resources	0.5		
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			Aa3
Assigned Rating			Aa1

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, Berkeley Heights (Township of) NJ's financial statements and Moody's Ratings

Appendix

Exhibit 3

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 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	
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 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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