

CREDIT OPINION

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**Send Your Feedback****Contacts**

Anik Hoque +1.212.553.3263
AVP-Analyst
anik.hoque@moodys.com

Dan Seymour, CFA +1.212.553.4871
VP-Senior Credit Officer
dan.seymour@moodys.com

Orlie Prince +1.212.553.7738
Associate Managing Director
orlie.prince@moodys.com

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Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

Township of East Hanover, NJ

Update to credit analysis

Summary

The Township of East Hanover, NJ (Aa2) benefits from a favorable location near New York City (Aa2 negative), a stable local economy with high resident wealth and income levels and a healthy financial position. These benefits are somewhat offset by the township's above-average leverage and moderate tax base concentration.

Credit strengths

- » Strong local economy with high resident wealth and income
- » Healthy and stable financial position

Credit challenges

- » Above-average leverage
- » Moderate tax base concentration

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 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 20% or lower
- » Significant contraction of the local economy
- » Material increase to long-term liabilities

Key indicators

Exhibit 1

East Hanover (Township of) NJ

	2021	2022	2023	2024	Aa Medians
Economy					
Resident income ratio (%)	163.2%	168.8%	163.7%	164.6%	114.1%
Full Value (\$000)	\$3,403,140	\$3,429,760	\$3,476,860	\$3,969,014	\$3,130,196
Population	11,128	11,102	11,106	11,152	22,330
Full value per capita (\$)	\$305,818	\$308,932	\$313,061	\$355,902	\$140,110
Annual Growth in Real GDP	5.2%	2.2%	0.9%	N/A	1.9%
Financial Performance					
Revenue (\$000)	\$31,446	\$31,688	\$33,790	\$35,464	\$57,424
Available fund balance (\$000)	\$8,755	\$9,557	\$10,832	\$12,013	\$31,108
Net unrestricted cash (\$000)	\$17,472	\$18,387	\$20,392	\$21,594	\$43,921
Available fund balance ratio (%)	27.8%	30.2%	32.1%	33.9%	56.8%
Liquidity ratio (%)	55.6%	58.0%	60.3%	60.9%	80.3%
Leverage					
Debt (\$000)	\$36,627	\$38,495	\$40,640	\$43,970	\$38,979
Adjusted net pension liabilities (\$000)	\$58,844	\$48,944	\$41,905	\$34,229	\$36,275
Adjusted net OPEB liabilities (\$000)	\$14,665	\$24,435	\$21,601	\$22,528	\$3,698
Other long-term liabilities (\$000)	\$3,027	\$2,947	\$3,071	\$3,401	\$1,773
Long-term liabilities ratio (%)	359.9%	362.3%	317.3%	293.6%	175.0%
Fixed costs					
Implied debt service (\$000)	\$2,557	\$2,569	\$2,688	\$2,823	\$2,605
Pension tread water contribution (\$000)	\$2,253	\$1,814	\$2,110	\$1,979	\$1,547
OPEB contributions (\$000)	\$256	\$496	\$601	\$785	\$167
Implied cost of other long-term liabilities (\$000)	\$206	\$212	\$206	\$213	\$122
Fixed-costs ratio (%)	16.8%	16.1%	16.6%	16.4%	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.

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

Profile

East Hanover Township is located in Morris County (Aaa stable) in north New Jersey (Aa3 stable). Its population is approximately 11,100.

Detailed credit considerations

East Hanover's local economy is expected to remain stable over the medium term, supported by its prime location in northern New Jersey within commuting distance of major employment centers and ongoing development activity. While largely built out, the township continues to benefit from commercial and residential projects that will increase tax rates and support revenue growth. The tax base remains moderately concentrated, with the top 10 taxpayers accounting for 22.6% of total assessed value, including Novartis Pharmaceuticals at 13.3%. However, Novartis has reduced its footprint in recent years, divesting roughly half of its 200 acre campus and eliminating more than 1,000 jobs statewide since 2022 as part of a broader restructuring. Despite this, the local economy has remained stable, as new rates have largely offset declines in Novartis' valuations, resulting in a reduced reliance on a single taxpayer. Additionally, East Hanover boasts a strong resident income, with an adjusted median household income (MHI) that is 165% of the US MHI, and very strong resident property wealth, with a full value per capita of \$392,454.

The township's financial position is strong and is expected to remain stable in the near term given conservative budgeting practices. As of year-end 2024, the township's available fund balance ended at \$12.0 million or a healthy 33.9% of revenue. Unaudited figures for 2025 show reserves remaining stable at \$12.5 million, or 32.9% of revenue. The 2025 additions to reserves are owed to strong utility

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operations as the township continues to increase rates by 3.5% annually. As for 2026, year-to-date operations are tracking close to budget and reserves are expected to end in line with 2025 levels.

East Hanover's leverage position is above-average but manageable. As of year-end 2024, the township's long-term liabilities ratio was 294%. With the issuance of the Series 2026A notes, the township has added a net \$19.0 million toward its debt burden since year-end 2024 leading to a proforma long-term liabilities ratio of 318% of revenue. The township does not expect to issue material amounts of additional debt in the near term so its overall leverage position will largely remain stable.

ESG considerations

Environmental

Environmental risk is generally low for the local government sector. Environmental concerns are factored into East Hanover's credit quality but are offset by its favorable location and healthy finances. According to data from Moody's ESG Solutions, the township is at medium risk to heat stress, hurricanes and wildfires.

Social

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

Governance

The township's management has a history of conservative budgeting as seen in its recent stable financial performance. Although there is no formal fund balance policy, management aims to only appropriate what they believe can be replenished over the course of the year.

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 that 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 2

East Hanover (Township of) NJ

	Measure	Weight	Score
Economy			
Resident income ratio	164.6%	10.0%	Aaa
Full value per capita	392,454	10.0%	Aaa
Economic growth metric	-0.9%	10.0%	Aa
Financial Performance			
Available fund balance ratio	33.9%	20.0%	Aa
Liquidity ratio	60.9%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	293.6%	20.0%	A
Fixed-costs ratio	16.4%	10.0%	A
Notching factors			
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 to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, East Hanover (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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