

CREDIT OPINION

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Township of Parsippany-Troy Hills, NJ

Update to credit analysis

Summary

Parsippany-Troy Hills, NJ (Aa2) benefits from its robust and growing local economy in northern New Jersey, growing reserves through strong financial management but high leverage.

Credit strengths

- » Active and dynamic local economy with redevelopment pipeline
- » Growing trend of fund balance that should continue in the near-term

Credit challenges

- » High leverage

Rating outlook

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

Factors that could lead to an upgrade

- » Fund balance growth and maintenance to above 40% of revenues
- » Sustained decline in leverage to below 300% of revenues
- » Resident income increase to above 150% of the nation

Factors that could lead to a downgrade

- » Decline in reserves to below 25% of revenues
- » Sustained increase in leverage to above 450% of revenues

Key indicators

Exhibit 1

Parsippany-Troy Hills (Township of) NJ

	2022	2023	2024	2025	Aa Medians
Economy					
Resident income ratio (%)	128.7%	127.6%	123.6%	N/A	111.9%
Full Value (\$000)	\$9,011,817	\$9,525,054	\$9,662,926	\$10,324,894	\$3,387,432
Population	55,970	56,072	56,397	N/A	22,328
Full value per capita (\$)	\$161,012	\$169,872	\$171,338	N/A	\$163,193
Annual Growth in Real GDP	2.2%	0.9%	2.4%	N/A	N/A
Financial Performance					
Revenue (\$000)	\$129,293	\$134,116	\$139,034	\$140,218	\$58,527
Available fund balance (\$000)	\$29,287	\$40,475	\$44,845	\$54,066	\$32,844
Net unrestricted cash (\$000)	\$51,862	\$67,411	\$77,763	\$86,187	\$45,441
Available fund balance ratio (%)	22.7%	30.2%	32.3%	38.6%	57.4%
Liquidity ratio (%)	40.1%	50.3%	55.9%	61.5%	79.7%
Leverage					
Debt (\$000)	\$165,299	\$188,240	\$200,241	\$201,363	\$40,551
Adjusted net pension liabilities (\$000)	\$170,418	\$150,977	\$123,114	\$109,641	\$30,928
Adjusted net OPEB liabilities (\$000)	\$162,532	\$171,254	\$161,842	\$164,575	\$3,164
Other long-term liabilities (\$000)	\$6,860	\$7,619	\$8,356	\$5,292	\$2,015
Long-term liabilities ratio (%)	390.7%	386.3%	355.0%	342.9%	162.0%
Fixed costs					
Implied debt service (\$000)	\$11,608	\$11,544	\$13,076	\$13,859	\$2,685
Pension tread water contribution (\$000)	\$6,785	\$7,399	\$6,739	\$6,339	\$1,817
OPEB contributions (\$000)	\$5,963	\$5,896	\$6,560	\$6,800	\$161
Implied cost of other long-term liabilities (\$000)	\$548	\$479	\$529	\$578	\$118
Fixed-costs ratio (%)	19.3%	18.9%	19.4%	19.7%	9.8%

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, Parsippany-Troy Hills Township's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Parsippany-Troy Hills Township is located in Morris County in northern New Jersey, approximately 15 miles northwest of Newark.

Detailed credit considerations

The township's local economy will continue to grow in the near-term as the area benefits from ample commercial/industrial properties along major highways in New Jersey. The township's management team consistently maintains an active pipeline of redevelopment projects that benefit its revenue base. In 2026, the township added hundreds of new residential units that were redeveloped from vacant office buildings adding millions in new ratable properties to its tax rolls. This is a trend that should continue going into 2027. Resident income remains steady and comparable with peers in the rating category.

The township's management team continues its trend of improving reserves from lower levels during the early days of the pandemic. Fiscal 2025 fund balance, based on Moody's calculations, increased to almost 39% of revenues. The increase was due increases in its utilities which offset an oddity in tax collections that occurred in the Current Fund. That oddity was corrected shortly after the end of the fiscal year which will actually cause fund balance to increase in 2026 as it will be collected as unbudgeted revenues. Fiscal 2026 operations are overall trending well to budget so we should continue to see growth in reserves despite health care cost growth.

The township's leverage will remain above-average in the near-term but affordable. Including its upcoming issuance, leverage will be around 345% of revenues. The bulk of its leverage is driven by pension and OPEB liabilities which have improved in recent years due to higher discount rates. The future capital plans for general operations is largely routine and its principal amortization should match

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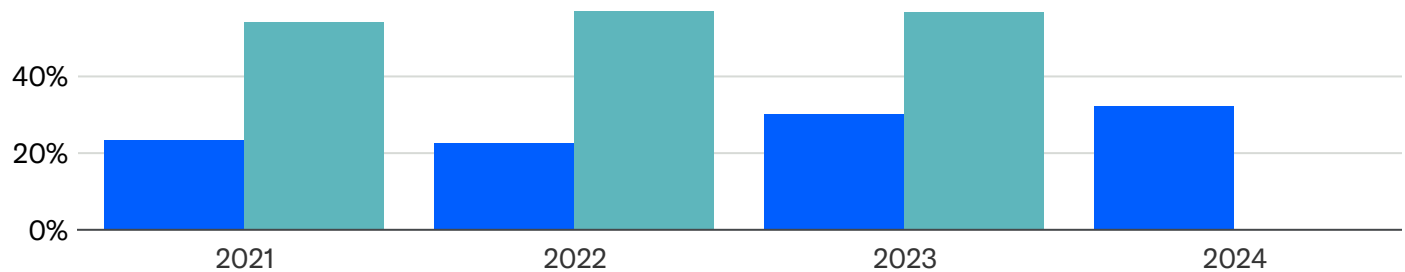
new spending annually. The water and sewer funds will continue to see activity as it works to stay compliant with state and federal regulations. Given the township's already above-average leverage, its ability to maintain its total liabilities in relation to budget will be key for future credit reviews.

Financial operations

Exhibit 2

Fund Balance Ratio

■ Available fund balance ratio ■ Median available fund balance ratio



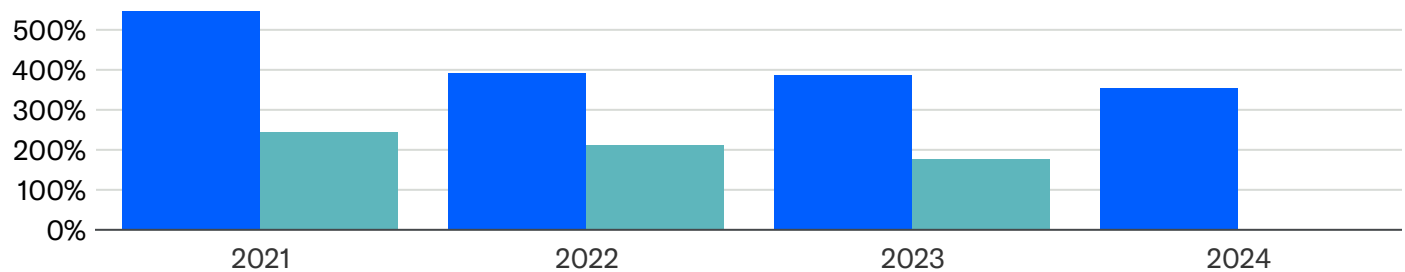
Source: Audited financial statements; Moody's Ratings

Leverage

Exhibit 3

Total Primary Government - Long Term Liabilities

■ Long-term liabilities ratio ■ Median long-term liabilities ratio



Source: Audited financial statements; Moody's Ratings

ESG considerations

Environmental

The township does not have material environmental exposure. It does have regular heavy rain and large storms which can cause damage but is typically manageable.

Social

Social considerations are not material to the credit profile.

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 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 4

Parsippany-Troy Hills (Township of) NJ

	Measure	Weight	Score
Economy			
Resident income ratio	123.6%	10.0%	Aaa
Full value per capita	183,075	10.0%	Aaa
Economic growth metric	-0.9%	10.0%	Aa
Financial Performance			
Available fund balance ratio	32.3%	20.0%	Aa
Liquidity ratio	55.9%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	355.0%	20.0%	Baa
Fixed-costs ratio	19.4%	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, Parsippany-Troy Hills Township'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 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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