

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aa2 to East Hanover, NJ's GO Bonds**

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16 Jul 2024

New York, July 16, 2024 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to the Township of East Hanover, NJ's proposed \$32.4 million General Obligation Bonds, Series 2024 (Callable) Consisting of \$29.8 million General Improvement Bonds, Series 2024 and \$2.6 million Water/Sewer Utility Bonds, Series 2024. We maintain the township's Aa2 issuer rating, the Aa2 rating on its outstanding general obligation unlimited tax (GOULT) bonds, and the MIG 1 rating on its outstanding bond anticipation notes. Following the issuance, the township will have an estimated \$47.3 million of debt outstanding.

#### **RATINGS RATIONALE**

The Aa2 issuer rating reflects the township's favorable location near New York City (Aa2 stable) and its stable local economy with high resident wealth and income levels. The township is largely built out with modest growth in its tax base; five-year compound annual growth rate in equalized value was 1% from 2018 to 2023. The rating also reflects the township's strong and stable financial position which is expected to persist in the near term. As of year-end 2022, the township had an adjusted available fund balance of \$9.6 million, or a healthy 30.2% of revenues. In 2023, audited figures show that the township further added to reserves, with available fund balance ending at \$10.8 million or 31.0% of revenue. The rating also incorporates the township's above-average long-term liabilities and moderate fixed costs.

The absence of distinction between the issuer and GOULT ratings reflects the township's general obligation full faith and credit pledge as well as an unlimited property tax that is payable to debt service.

The MIG 1 reflects the township's strong underlying credit quality, as evidenced by its Aa2 long-term rating, along with its history of market access and strong liquidity.

#### **RATING OUTLOOK**

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

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- 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 OF THE RATING

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

#### LEGAL SECURITY

The bonds are general obligations of the township payable as to principal and interest from ad valorem taxes to be levied upon all taxable real property in the township without limitation as to rate or amount.

#### USE OF PROCEEDS

Proceeds from the bonds will be used to currently refund in full the township's \$25.7 million outstanding Bond Anticipation Notes maturing on August 8, 2024 and to provide \$6.7 million in new money to finance various capital projects.

#### PROFILE

East Hanover Township is located in Morris County (Aaa stable) in north New Jersey (A1 stable). Its population is approximately 11,100.

#### METHODOLOGY

The principal methodology used in this rating was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

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Ahteshamul Hoque  
Lead Analyst  
REGIONAL\_NE  
Moody's Investors Service, Inc.  
7 World Trade Center  
250 Greenwich Street  
New York 10007  
JOURNALISTS: 1 212 553 0376

Client Service: 1 212 553 1653

Orlie Prince

Additional Contact

REGIONAL\_NE

JOURNALISTS: 1 212 553 0376

Client Service: 1 212 553 1653

Releasing Office:

Moody's Investors Service, Inc.

250 Greenwich Street

New York, NY 10007

U.S.A

JOURNALISTS: 1 212 553 0376

Client Service: 1 212 553 1653

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