

# RatingsDirect®

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## Summary:

# Lyndhurst Township, New Jersey; General Obligation; Note

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## Table Of Contents

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Credit Highlights

Outlook

Credit Opinion

**Summary:**

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Credit Profile		
US\$18.382 mil BANs ser 2025 dtd 01/30/2025 due 01/30/2026		
Short Term Rating	SP-1+	New
Lyndhurst Township BANs		
Short Term Rating	SP-1+	Affirmed
Lyndhurst Township BANs ser 2025 dtd 01/30/2025 due 01/30/2026		
Short Term Rating	SP-1+	Affirmed
Lyndhurst Twp GO		
Long Term Rating	AA/Stable	Affirmed
Lyndhurst Twp GO		
Long Term Rating	AA/Stable	Affirmed
Lyndhurst Twp GO (BAM) (SECMKT)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

## Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' rating to Lyndhurst Township, N.J.'s approximately \$18 million series 2025 bond anticipation notes (BANs).
- At the same time, we affirmed our 'AA' long-term and underlying ratings on the township's general obligation (GO) bonds outstanding based on the application of our criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, and affirmed our 'SP-1+' rating on the township's BANs outstanding.
- The outlook on the long-term rating is stable.

## Security

Lyndhurst's full-faith-and-credit pledge secures the BANs and existing GO bonds. The short-term rating reflects our criteria for evaluating and rating BANs. The township maintains a very strong capacity to pay principal and interest when the notes come due. We view the township's market risk profile as low.

Officials intend to renew maturing notes with the new note proceeds.

## Credit overview

Lyndhurst's economic profile, consistently positive operating performance, and sizable available reserves support the 'AA' long-term rating. Offsetting these strengths, however, is our view of the township's relatively large per capita debt and pension liabilities and the associated current costs as well as limited formalized financial policies compared with those of many similarly rated national peers. However, we believe the township will continue to effectively incorporate

its current costs into the budget, maintaining its track record of positive operations and healthy reserve levels.

The 'AA' rating also reflects our view of Lyndhurst's:

- Location in northern New Jersey with access to the New York City metropolitan area.
- Track record of positive financial performance and consistent, sizable available reserves.
- Conservative budgeting and monitoring of intra-year performance and reserve levels, although formal long-term planning practices and policies are limited compared with those of many similarly rated national peers.
- Elevated debt and pension per capita liabilities and fixed costs, with pension costs likely to continue to fluctuate.
- For more information on our institutional framework assessment for New Jersey municipalities, see "Institutional Framework Assessment: New Jersey Local Governments," published Sept. 9, 2024, on RatingsDirect.

### **Environmental, social, and governance**

We have assessed the township's environmental, social, and governance factors relative to its economy, management, financial measures, and debt and liability profile, and view them as neutral within our credit rating analysis. Regarding governance factors, we note that pension funding discipline and assumption choices at the state level will likely lead to elevated and volatile costs for the township. Also, the township's location along the Hackensack and Passaic rivers has resulted in some inland flooding, but previous work with the state and the Army Corps of Engineers has mitigated this risk.

## **Outlook**

The stable outlook reflects our expectation that the township's financial performance will remain positive, its reserves will remain near current levels, and that management will continue to incorporate increasing retirement costs into the budget.

### **Downside scenario**

We could lower the rating if available reserves materially weaken on a sustained basis, or if debt or retirement liabilities increase to a level that pressures financial performance.

### **Upside scenario**

We could raise the rating if the township's debt and retirement liabilities moderate while financial practices and policies become more formalized.

## **Credit Opinion**

### **Economy**

The township's economy is a credit strength, in our view, supported by county economic output and income metrics that exceed the national level on a per capita basis. Local incomes are weaker compared with the broader county but stronger than the national average. The township's tax base is a mix of residential and commercial taxpayers and is mostly built-out, somewhat limiting space for future development. Given the township's location in northern New

Jersey along a major thoroughfare, economic activity is consistent and likely sustainable, and residents can commute easily to New York City for employment.

The township experienced significant increases in property valuations in fiscal 2023, reflecting a 28% boost in commercial/industrial valuations given robust growth in warehousing and logistics development and 37% growth in residential with new development projects. It also created a redevelopment agency in 2023 in preparation for expected redevelopment projects that will likely consist of additional mixed-use, residential, and commercial projects. We expect economic activity within the township and region will remain consistent, supporting favorable economic output and income metrics.

### **Financial performance, reserves, and liquidity**

The township's financial performance is anchored by a long trend of stable or growing revenues, a primary reliance on property taxes as the largest revenue source, and conservative budget assumptions. Outside of a one-time appropriation in fiscal 2022 related to higher-than-expected health care costs, the township has reported a current fund surplus each year since fiscal 2016. The township subsequently moved from private insurance to the State Health Benefit Plan (SHBP), with fiscal 2023 the first full year to recognize savings from the transition.

For the latest audited year, fiscal 2023, revenues exceeded expenditures by approximately \$1.8 million, supported by increased revenues and favorable expenditure variances. Property taxes generated more than 70% of general fund revenue in fiscal 2023. The fiscal 2024 budget includes an appropriation of 35% of fund balance. Current estimates show the year ending with the full appropriation being replenished and an additional \$1 million added to reserves. For fiscal 2025, management does not expect material changes to budget assumptions and there is no plan to spend reserves.

While there is no formal or informal reserve minimum or target in place, available reserves are a credit strength for the township and are expected to remain consistent over the next two years due to conservative budget assumptions and a lack of plans to materially spend them down. We expect that during the two-year outlook period the township will likely continue to experience at least stable revenue trends and that management will continue to closely monitor financial performance in a way that maintains balanced or positive operating results and available reserves in line with recent history.

### **Management**

The township's budgeting practices, long-term planning, and policies all support its healthy financial position and track record of positive operations, although its long-term planning and policies are less formalized compared with those of many state and national peers at this rating level.

Conservative budget assumptions, particularly around more volatile revenue streams and expenditures, position the township to end most fiscal years with a surplus. Intra-year variances are identified and shared with the governing body. Management is focused on replenishing utilized fund balance and maintaining high reserves. The township's capital plan looks out six years and identifies funding sources. While there is no formal or informal reserve minimum or target level, officials would like to maintain reserves at near-current levels for cushion against unforeseen expenditures or to provide funding for smaller capital needs. A cash management plan outlines permitted investments that conform to state guidelines. The township does not have a formal debt policy.

## Debt and liabilities

We consider the township's sizable debt and pension liabilities to be a credit weakness, but expect the township will continue to manage debt service and pension contribution costs based on its history of conservative and proactive budgeting practices. We will continue to monitor these costs trends, particularly pension contributions costs, and how the township incorporates any potential future cost increases into its budget. If increasing current costs lead to weakened financial performance and available reserves the rating could face downward pressure.

The township will have approximately \$77 million in total direct debt after this issuance and expects to issue \$2 million annually in new-money debt to support ongoing capital needs. However, despite some additional debt plans, we expect the amortization of debt to keep existing debt relatively level during the outlook period.

Despite recent improved funding progress for the New Jersey Police & Firemen's Retirement System and New Jersey Public Employees' Retirement System pension plans, future contribution cost increases could present budgetary pressure. (For more details, see "Pension Spotlight: New Jersey," published June 21, 2022.) The township has a net other postemployment benefits liability of \$37 million as of a fiscal 2018 measurement date and contributes each year.

**Table 1**

Lyndhurst Township, N.J.--Credit summary	
Institutional framework (IF)	2
Individual credit profile (ICP)	2.29
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.95
Debt and liabilities	4.50

**Table 2**

Lyndhurst Township, N.J.--Key credit metrics				
	Most recent	2023	2022	2021
<b>Economy</b>				
Real GCP per capita % of U.S.	--	--	131	132
County PCPI % of U.S.	--	--	147	147
Market value (\$000s)	--	4,485,713	4,120,135	3,397,082
Market value per capita (\$)	--	197,853	183,003	157,003
Top 10 taxpayers % of taxable value	--	12.2	13.4	--
County unemployment rate (%)	--	3.9	3.4	9.5
Local median household EBI % of U.S.	--	133	124	117
Local per capita EBI % of U.S.	--	135	121	118
Local population	--	22,672	22,514	21,637
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	46,148	44,570	42,171
Operating fund expenditures (\$000s)	--	44,342	46,122	43,213
Net transfers and other adjustments (\$000s)	--	--	300	2,805
Operating result (\$000s)	--	1,806	-1,252	1,763

Table 2

Lyndhurst Township, N.J.--Key credit metrics (cont.)				
	Most recent	2023	2022	2021
Operating result % of revenues	--	3.9	-2.8	4.2
Operating result three-year average %	--	1.8	0.8	5.5
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	37.9	35.2	40.2
Available reserves (\$000s)	--	17,492	15,685	16,937
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	16.3	15.9	13.8
Net direct debt per capita (\$)	3,411	3,744	3,894	4,187
Net direct debt (\$000s)	77,335	84,879	87,661	90,585
Direct debt 10-year amortization (%)	61	49	--	--
Pension and OPEB cost % of revenues	--	9.0	9.0	9.0
NPLs per capita (\$)	--	1,311	1,256	907
Combined NPLs (\$000s)	--	29,734	28,268	19,631

Financial data might reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data are generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits.

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