

CREDIT OPINION

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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 stable), 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 15% or lower
- » Significant contraction of the local economy
- » Material increase to long-term liabilities

Key indicators

Exhibit 1

East Hanover (Township of) NJ

	2020	2021	2022	2023	Aa Medians
Economy					
Resident income ratio (%)	170.4%	163.2%	168.8%	163.9%	114.1%
Full Value (\$000)	\$3,265,352	\$3,403,140	\$3,429,760	\$3,476,860	\$2,888,367
Population	11,009	11,128	11,102	11,106	22,430
Full value per capita (\$)	\$296,608	\$305,818	\$308,932	\$313,061	\$125,640
Annual Growth in Real GDP	-3.1%	5.1%	2.2%	1.6%	2.0%
Financial Performance					
Revenue (\$000)	\$29,749	\$31,446	\$31,688	\$33,790	\$52,335
Available fund balance (\$000)	\$8,161	\$8,755	\$9,557	\$10,832	\$29,526
Net unrestricted cash (\$000)	\$15,650	\$17,472	\$18,387	\$20,392	\$41,432
Available fund balance ratio (%)	27.4%	27.8%	30.2%	32.1%	57.1%
Liquidity ratio (%)	52.6%	55.6%	58.0%	60.3%	79.6%
Leverage					
Debt (\$000)	\$35,707	\$36,627	\$38,495	\$40,640	\$37,305
Adjusted net pension liabilities (\$000)	\$76,265	\$58,844	\$48,944	\$41,905	\$45,496
Adjusted net OPEB liabilities (\$000)	\$64,342	\$14,665	\$24,435	\$21,601	\$4,376
Other long-term liabilities (\$000)	\$2,881	\$3,027	\$2,947	\$3,071	\$1,726
Long-term liabilities ratio (%)	602.3%	359.9%	362.3%	317.3%	210.2%
Fixed costs					
Implied debt service (\$000)	\$2,435	\$2,557	\$2,569	\$2,688	\$2,477
Pension tread water contribution (\$000)	\$2,416	\$2,253	\$1,814	\$2,110	\$1,199
OPEB contributions (\$000)	\$0	\$256	\$496	\$601	\$179
Implied cost of other long-term liabilities (\$000)	\$217	\$206	\$212	\$206	\$115
Fixed-costs ratio (%)	17.0%	16.8%	16.1%	16.6%	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, 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 (A1 positive). Its population is approximately 11,100.

Detailed credit considerations

East Hanover's local economy is expected to remain stable in the medium term due to its prime location in northern New Jersey, within commuting distance of major employment centers, and the presence of moderate ongoing developments. Although the township is largely developed, it continues to see commercial and residential projects that are estimated to add \$400 million in ratables over the next two years, resulting in an additional \$3 million to \$4 million in property tax revenue. However, the tax base is moderately concentrated, with the top 10 taxpayers comprising 22.5% of the total assessed value (AV). Notably, Novartis Pharmaceuticals, the largest taxpayer, represents 13.3% of the AV. Over recent years, Novartis has been downsizing its operations in East Hanover, selling off about 90 acres of its original 200-acre campus and laying off 235 employees in 2024, with plans for an additional 427 layoffs later this year. Despite these reductions, the township's economy has remained unaffected due to new ratables compensating for the decline in Novartis' valuations. Favorably, the reduction in Novartis's presence with solid ratables replacing their properties helps to reduce the township's reliance on a single entity. Additionally, East Hanover boasts a strong resident income, with an adjusted median household income (MHI) that is 164% of the US MHI, and very strong resident property wealth, with a full value per capita of \$313,061 as of 2023.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

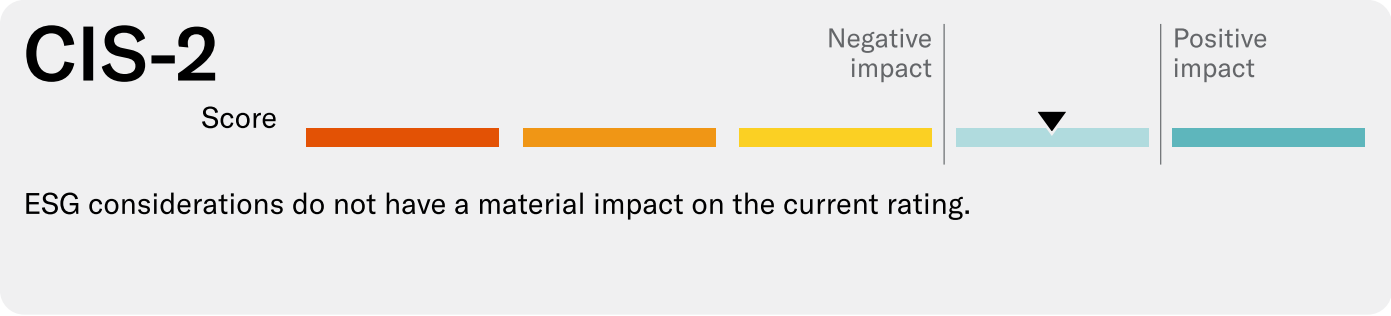
The township's financial position is strong and is expected to remain stable in the near term given conservative budgeting practices. As of year-end 2023, the township's available fund balance ended at \$10.8 million or a healthy 32.1% of revenue. Unaudited figures for 2024 show another solid increase in reserves to \$12.3 million, or 33.5% of revenue. The recent additions to reserves are owed to outperforming investment income revenue and construction code fees given the increased development activity. As for 2025, year-to-date operations are tracking close to budget and reserves are expected to increase modestly by year-end.

East Hanover's leverage position is above-average but manageable. As of year-end 2023, the township's long-term liabilities ratio was 317%. With the issuance of the Series 2024 GO bonds and the proposed issuance of Series 2025A Bond Anticipation Notes, the township has added \$21.0 million toward its debt burden. 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

East Hanover (Township of) NJ's ESG credit impact score is CIS-2

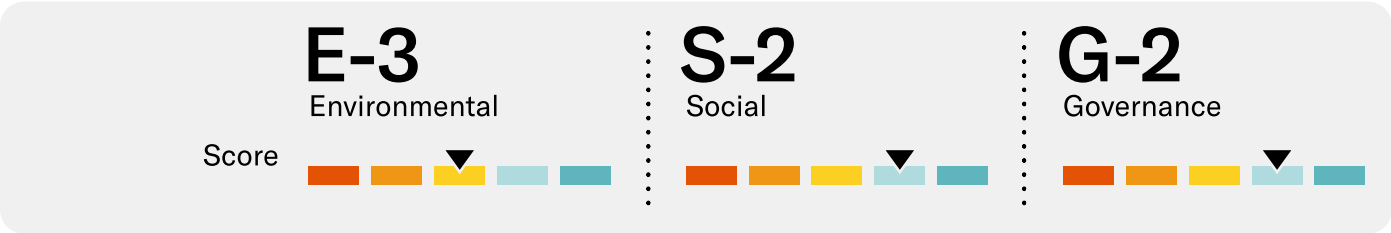
Exhibit 2
ESG credit impact score



Source: Moody's Ratings

The township's ESG credit impact score is neutral-to-low (**CIS-2**), reflecting neutral to low exposure to governance, and social risks, while environmental risks are moderately negative.

Exhibit 3
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The township's overall environmental issuer profile score is moderately-negative (**E-3**). While carbon transition, water, natural capital, and pollution risks are modest, the area is exposed to heat stress, hurricanes, and potential wildfires.

Social

Exposure to social reflects neutral-to-low risk (**S-2**). The township benefits from strong labor and income metrics along with being very well educated and overall generally safe. In contrast, the high cost of living and housing prices in the area poses a challenge. Residents have easy access to basic services.

Governance

The township's issuer profile score reflects neutral-to-low (**G-2**) risk. Government operations are managed by certified and experienced professionals who are responsible for implementing its policy objectives. This, plus a combination of a strong state-wide institutional framework and generally conservative budgeting, has allowed for stable and strong financial operations. Finally, management is generally prompt in publishing its budgets and audited financial statements. Monthly or quarterly interim statements are not available publicly.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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.

Exhibit 4

East Hanover (Township of) NJ

	Measure	Weight	Score
Economy			
Resident income ratio	163.9%	10.0%	Aaa
Full value per capita	357,376	10.0%	Aaa
Economic growth metric	-0.8%	10.0%	Aa
Financial Performance			
Available fund balance ratio	32.1%	20.0%	Aa
Liquidity ratio	60.3%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	317.3%	20.0%	A
Fixed-costs ratio	16.6%	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-PA Metropolitan Statistical Area 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 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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