

## CREDIT OPINION

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# Township of Weehawken, NJ

## Update to credit analysis

### Summary

The Township of Weehawken, NJ's (Baa3) tax base will remain an important strength supporting the rating at this low level, with an ongoing trend of high-end development and a strong economic profile compared to peers. The township's financial position is historically weak with narrow reserves and a history of deficits; although the balance sheet has improved a little, the township's finances will remain challenged for the time being. Liabilities and fixed costs are elevated.

### Credit strengths

- » Above-average resident wealth and income indicators
- » Strong trend of economic development
- » Favorable location near New York City

### Credit challenges

- » Extremely weak liquidity
- » Reliance on regular note issuances
- » Above-average debt burden

### Rating outlook

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

### Factors that could lead to an upgrade

- » Significant increase in cash and reserves above 15% of revenue
- » Material decline in leverage

### Factors that could lead to a downgrade

- » Failure to increase cash and reserve levels
- » Material increase in leverage above 500% of revenue
- » Substantial decline in tax base and wealth levels

## Key indicators

Exhibit 1

### Weehawken (Township of) NJ

	2021	2022	2023	2024	Baa Medians
<b>Economy</b>					
Resident income ratio (%)	132.3%	141.8%	138.9%	N/A	76.1%
Full Value (\$000)	\$4,094,497	\$4,051,048	\$4,140,695	\$4,214,445	\$755,957
Population	16,215	16,790	16,946	N/A	14,678
Full value per capita (\$)	\$252,513	\$241,277	\$244,346	\$248,699	\$52,913
Annual Growth in Real GDP	5.1%	2.2%	1.6%	N/A	1.3%
<b>Financial Performance</b>					
Revenue (\$000)	\$48,172	\$49,414	\$56,704	\$63,634	\$30,863
Available fund balance (\$000)	\$1,020	\$3,372	\$3,044	\$2,987	\$6,158
Net unrestricted cash (\$000)	-\$146	\$2,391	\$1,459	-\$1,400	\$12,240
Available fund balance ratio (%)	2.1%	6.8%	5.4%	4.7%	26.7%
Liquidity ratio (%)	-0.3%	4.8%	2.6%	-2.2%	45.6%
<b>Leverage</b>					
Debt (\$000)	\$122,384	\$132,408	\$129,728	\$133,933	\$24,050
Adjusted net pension liabilities (\$000)	\$101,456	\$86,593	\$71,956	\$66,697	\$48,097
Adjusted net OPEB liabilities (\$000)	\$46,204	\$52,815	\$46,627	\$48,585	\$6,084
Other long-term liabilities (\$000)	\$5,043	\$5,286	\$5,010	\$5,879	\$1,652
Long-term liabilities ratio (%)	571.0%	560.8%	446.7%	400.9%	281.1%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$8,417	\$8,584	\$9,247	\$9,012	\$1,633
Pension tread water contribution (\$000)	\$3,739	\$2,878	\$3,438	\$3,464	\$1,632
OPEB contributions (\$000)	\$1,035	\$1,072	\$1,298	\$1,693	\$235
Implied cost of other long-term liabilities (\$000)	\$330	\$354	\$369	\$348	\$91
Fixed-costs ratio (%)	28.1%	26.1%	25.3%	22.8%	15.5%

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, Weehawken (Township of) NJ's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

Weehawken Township is located in Hudson County (Aa2 stable) in northwest New Jersey, within easy commuting distance of New York City. The township is home to resident population of around 16,900.

## Detailed credit considerations

The township's local economy remains a key strength, given a weak financial position and high liabilities. Weehawken's waterfront location and good transit options into New York City and around the region assure a continuing investment in residential housing in the township. The township's tax base has grown by a compound average of 1.6% annually in the past five years. Management reports several new residential developments under construction along the township's waterfront area. Notably, the new residential developments are paying PILOTs instead of property taxes. Resident wealth and income levels are above-average, and well above-average for the rating category.

Weehawken's financial position has stabilized, but will remain challenged for the time being. At the end of 2024, the township's Moody's-adjusted fund balance equated to \$3.0 million, or 4.7% of revenue, which is slightly below 2023, but is improved from 2.2% of revenue in 2021. Notably, the adjusted fund balance was negative in 2020, indicating the various financial management challenges facing the township. The township has for many years issued special emergency notes, which in 2024 amounted to \$7.6 million.

The fiscal 2024 net cash figure (-\$1.4 million) requires some explanation. In fiscal 2024, the township ended with \$6.2 million in cash, or 10.3% of revenues (roughly half in the current fund and half in other governmental funds). Net cash turns negative after netting

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out the emergency and special emergency notes discussed above. The decline in cash from 2023 was primarily driven by a delay in the receipt of around \$2.2 million in federal and state grants. The township has raised property taxes in an effort to restore fund balance and liquidity. With the increase in property taxes coupled with growth in other revenues that were diminished during the pandemic, the township's reserves will remain stable yet narrow.

Weehawken's leverage will remain elevated over the medium term. At year end 2024 long-term liabilities amounted to an elevated 401% of revenue. Post-issuance long-term liabilities will further increase to 450% of revenue. Adjusted pension liabilities and other post-employment benefits make up a significant portion of liabilities at \$115.3 million. Management reports no significant debt issuance in the near future. The township's fixed costs are also elevated at 22.8% of revenue, primarily driven by high debt service costs.

## ESG considerations

### Environmental

Environmental risk is generally low for the local government sector and does not factor materially into the municipality's credit profile as responsibilities for environmental risk mitigation fall to other overlapping government entities. Based on county-level data, the township is at high risk from sea level rise, hurricanes, and water stress and medium risk from heat stress.

### Social

Social considerations such as wealth, income, and employment are major factors in the municipality's credit quality and are discussed in the economy section.

### Governance

Weehawken's fund balance will remain limited primarily due to the governing body's decision to limit tax increases so as to encourage economic growth. This leaves the township exposed to any financial hits and is a credit risk.

New Jersey municipalities have an Institutional Framework score of Aa. The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. Revenues are moderately predictable and mostly consist of property taxes; however, cities are required to make county and school district tax levies whole in the event of tax appeals. Revenue-raising ability is moderate as cities are constrained by a 2% cap on the property tax levy. Cities can raise the levy above the cap for debt service, pensions and certain qualified expenses. Expenditures, which primarily consist of personnel and public safety, are highly predictable. Cities have a moderate ability to adjust costs given the presence of collective bargaining and high fixed costs.

## 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. The township's rating of Baa3 is 2 notches higher than the scorecard-indicated outcome of Ba2, as the scorecard is capturing to a large degree the township's poor liquidity; while the weak cash position is a factor, the township has demonstrated its access to the short-term note market to raise sufficient cash each year.

Exhibit 2

### Weehawken (Township of) NJ

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	138.9%	5.9%	Aaa
Full value per capita	259,764	5.9%	Aaa
Economic growth metric	-0.8%	5.9%	Aa
<b>Financial Performance</b>			
Available fund balance ratio	4.7%	11.8%	Ba
Liquidity ratio	-2.2%	47.1%	Caa
<b>Institutional Framework</b>			
Institutional Framework	Aa	5.9%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	400.9%	11.8%	Baa
Fixed-costs ratio	22.8%	5.9%	Baa
<b>Notching factors</b>			
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			Ba2
<b>Assigned Rating</b>			<b>Baa3</b>

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, Weehawken (Township of) NJ's financial statements and Moody's Ratings

## Appendix

Exhibit 3

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
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
<b>Financial performance</b>		
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	
<b>Leverage</b>		
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	
<b>Fixed costs</b>		
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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