



Rating Action: Moody's Ratings assigns Aa2 to Fanwood Borough, NJ's Series 2026 bonds

30 Jan 2026

New York, January 30, 2026 -- Moody's Ratings (Moody's) has assigned a Aa2 general obligation unlimited tax (GOULT) rating to Fanwood Borough, NJ's proposed \$10.5 million General Obligation Bonds, Series 2026 consisting of: \$9.654 million General Improvement Bonds, Series 2026, \$781,000 Sewer Utility Bonds, Series 2026 and \$39,000 Special Emergency Bonds, Series 2026. We maintain the borough's Aa2 issuer rating, Aa2 rating on its outstanding GOULT bonds and MIG 1 rating on its short-term notes. Post-issuance, the borough will have approximately \$21.0 million in debt outstanding.

RATINGS RATIONALE

The Aa2 issuer rating reflects the borough's affluent, primarily residential tax base supported by high resident wealth and income levels, a desirable location within the northern New Jersey metropolitan area, and an adequate, though below-average, financial position. These strengths are tempered by elevated leverage, driven largely by pension and other post-employment benefit (OPEB) liabilities, which will remain a credit challenge over the medium term.

Located in Union County, the borough provides convenient access to strong and diverse regional employment hubs, supporting ongoing demand for housing. In addition, the borough continues to experience moderate residential and commercial redevelopment activity, which should support the tax base over time. Adjusted median household income equals approximately 200% of the U.S. median, while full value per capita of a strong \$229,000 highlights strong underlying property wealth.

The borough's financial position is adequate but comparatively weaker than similarly rated New Jersey peers due to below-average reserve levels. At year-end 2024, available fund balance totaled \$2.9 million, or a sufficient 23.3% of revenues, increasing from \$2.4 million in the prior year. The improvement was driven largely by grant funding, which allowed the borough to avoid drawing down certain appropriated funds. Management expects year-end 2025 results to reflect a planned use of these prior-year savings, resulting in the available fund balance ratio declining to approximately 16%-18%. While reserves are expected to stabilize in 2026, the borough's limited cushion provides reduced flexibility, and further draws on fund balance would likely result in negative rating pressure.

Fanwood's leverage profile is elevated and remains a key credit constraint. At year-end 2024, the borough's long-term liabilities equaled a high 437% of operating revenues, increasing from 412% in the prior year. The increase was largely attributable to the borough's transition from the State Health Benefits Plan to the Metropolitan Health Insurance Fund (HIF) plan. Although participation in the HIF plan is expected to generate longer-term cost savings, the change resulted in a moderate increase in the borough's reported OPEB liability.

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

The MIG 1 short-term rating reflects the borough's strong underlying credit quality, as evidenced by its Aa2 issuer rating, along with its history of market access.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Increase in the available fund balance ratio to 35% or higher
- Decrease in the long-term liabilities ratio to 300% or lower

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decrease in the available fund balance ratio to less than 15%
- Increase in the long-term liabilities ratio to 550% or higher
- Significant contraction of the local economy

PROFILE

Fanwood, NJ is favorably located in Union County, NJ (Aaa stable) in northern New Jersey (Aa3 stable) with a population of 7,714.

METHODOLOGY

The principal methodology used in this rating was US Cities and Counties published in December 2025 and available at <https://ratings.moodys.com/rmc-documents/455983>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

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Susanne Murray

Lead Analyst

Orlie Prince
Additional Contact

Anik Hoque
Additional Contact

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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