

## CREDIT OPINION

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## Morris County, NJ

### Update to credit analysis

#### Summary

Morris County, NJ (Aaa stable) will continue to benefit from its favorable position as a wealthy outer suburb of New York City (Aa2 stable). Resident income is very strong at 154% of the US median and full value per capita is now well in excess of \$200,000 as the county attracts significant new development. The county has a history of strong governance, with healthy reserves of 30.2% for 2023 that continue to grow. Leverage ended 2023 at 377% of revenue and will remain above-average in the medium term.

On May 23, we assigned a Aaa rating to the county's proposed \$37.1 million General Obligation Bonds, Series 2024 (Non-Callable), consisting of \$30.2 million General Improvement Bonds, \$2.7 million Park Bonds, and \$4.2 million County College Bonds (County College Bond Act).

#### Credit strengths

- » Strong and stable finances
- » Large, diverse and wealthy economy with stable employer presence
- » Exceptionally strong, proactive financial management

#### Credit challenges

- » Above-average leverage and fixed costs

#### Rating outlook

The stable outlook reflects our expectation that the county's financial position will remain strong over the near term and that the county will continue to benefit from its wealthy and growing economy and above-average resident wealth and income.

#### Factors that could lead to an upgrade

- » Not applicable

#### Factors that could lead to a downgrade

- » Material, sustained declines in reserves below 20% of revenue
- » Sustained economic decline
- » Significant increase in leverage above 500% of revenue

## Key indicators

Exhibit 1

### Morris (County of) NJ

	2020	2021	2022	2023	Aaa Medians
<b>Economy</b>					
Resident income ratio (%)	156.3%	156.0%	154.0%	N/A	121.7%
Full Value (\$000)	\$96,608,183	\$97,242,143	\$100,656,187	\$107,222,191	\$57,894,231
Population	492,715	508,347	508,816	N/A	413,574
Full value per capita (\$)	\$196,073	\$191,291	\$197,824	N/A	N/A
Annual Growth in Real GDP	-3.5%	4.8%	2.5%	N/A	5.5%
<b>Financial Performance</b>					
Revenue (\$000)	\$385,987	\$419,927	\$412,629	\$378,897	\$521,116
Available fund balance (\$000)	\$103,850	\$100,717	\$102,823	\$114,571	\$214,469
Net unrestricted cash (\$000)	\$259,701	\$297,019	\$339,286	\$343,195	\$373,309
Available fund balance ratio (%)	26.9%	24.0%	24.9%	30.2%	43.4%
Liquidity ratio (%)	67.3%	70.7%	82.2%	90.6%	74.3%
<b>Leverage</b>					
Debt (\$000)	\$373,813	\$352,608	\$312,346	\$270,534	\$381,517
Adjusted net pension liabilities (\$000)	\$487,084	\$586,945	\$498,849	\$417,662	\$594,658
Adjusted net OPEB liabilities (\$000)	\$1,026,204	\$989,811	\$697,848	\$727,899	\$80,385
Other long-term liabilities (\$000)	\$11,523	\$12,178	\$12,289	\$12,034	\$27,745
Long-term liabilities ratio (%)	491.9%	462.4%	368.7%	376.9%	201.7%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$24,414	\$26,770	\$24,732	\$21,814	\$28,447
Pension tread water contribution (\$000)	\$19,951	\$21,430	\$16,236	\$19,255	\$15,447
OPEB contributions (\$000)	\$25,631	\$27,130	\$27,787	\$29,054	\$3,063
Implied cost of other long-term liabilities (\$000)	\$757	\$825	\$854	\$858	\$1,999
Fixed-costs ratio (%)	18.3%	18.1%	16.9%	18.7%	8.9%

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

## Profile

Morris County is located in northern New Jersey (A1 stable) about 25 miles west of New York City (Aa2 stable). It is one of the wealthiest counties in the country.

## Detailed credit considerations

### Economy: growing, diverse economy with above-average resident wealth and income

Morris County's economy will remain strong due to its advantageous location in northern New Jersey and its highly skilled and well-educated labor force. Resident wealth and income are well above-average with equalized value per capita of \$229,320 as of 2024 and adjusted median household income equal to 154% of the national median. Management reports considerable ongoing development in both the residential and commercial sectors. This is reflected in tax base growth—equalized value has grown at a five year compound rate of 4%.

The county has a significant retail and corporate presence, including many Fortune 500 companies. The largest taxpayers include major pharmaceutical, retail, and financial firms and there is no material concentration in the tax base.

### Financial operations: strong finances with healthy reserves

Morris County's financial position will remain healthy and a credit strength as management continues to budget conservatively. In 2023, the county's Moody's-adjusted available fund balance and net current assets grew to just under \$115 million, or 30% of revenue.

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 county's finances have been stable for many years. Management has a long history of accurate and conservative budgeting and routinely outperforms its budget. Its current plan is to continue adding to fund balance, indicating further improvement from an already-strong financial position.

#### Liquidity

The county's liquidity is strong. At the end of 2023, cash was equal to approximately \$343 million, or 90.6% of total revenues. Although a considerable amount of the money is outside the current fund, it can be borrowed against if liquidity is needed.

#### Leverage: above-average leverage and fixed costs

Morris County's leverage will remain above-average over the medium term. As of the end of 2023, debt amounted to approximately \$270.5 million, or about 71% of revenue. In addition, the county has substantial pension and OPEB liabilities. Moody's adjusted net pension liability amounts to \$417.7 million, or 110% of revenues and the adjusted net OPEB liability amounts to just under \$728 million, or 192% of revenues. Combined leverage, including other smaller long-term liabilities, is 377% revenues. Favorably, the county has discontinued OPEB benefits for new employees, so its net OPEB liability will eventually decline, though this will likely to take time.

The fixed-costs ratio is above-average as well, at 18.7% of revenues.

#### Legal security

Debt service on the county's bonds is backed by the pledge of its full faith and credit and by its legal obligation to levy ad valorem tax on all taxable property for the payment of debt service without limit as to rate or amount.

#### Debt structure

All of the county's bonds are fixed rate and the county has no variable rate exposure. Of the county's \$270.5 million of outstanding debt, approximately \$94.8 million is guaranteed debt issued through the Morris County Improvement Authority (MCIA), which will realistically pose little cost to the county.

#### Debt-related derivatives

The county is not party to any interest rate swaps or other derivatives.

#### Pensions and OPEB

The county's combined pension and OPEB liabilities are larger than its debt and, though manageable at this time, represent a potential future credit challenge. The county participates in two state-sponsored multiple employer cost-sharing pension plans and funds retiree healthcare (OPEB) on a pay-go basis.

## 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 rating is 3 notches higher than the scorecard-indicated outcome, as the scorecard does not fully capture the county's financial stability or impending improvements to fund balance, nor the moderation in long-term liabilities that has resulted from the increase in discount rates since 2022.

Exhibit 2

### Morris (County of) NJ

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	154.0%	10.0%	Aaa
Full value per capita	229,320	10.0%	Aaa
Economic growth metric	-0.4%	10.0%	Aa
<b>Financial Performance</b>			
Available fund balance ratio	30.2%	20.0%	Aa
Liquidity ratio	90.6%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	376.9%	20.0%	Baa
Fixed-costs ratio	18.7%	10.0%	A
<b>Notching factors</b>			
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			Aa3
<b>Assigned Rating</b>			<b>Aaa</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 Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Morris (County of) NJ's financial statements and Moody's Ratings

## ESG considerations

### Morris (County of) NJ's ESG credit impact score is CIS-2

Exhibit 3

### ESG credit impact score

**CIS-2**



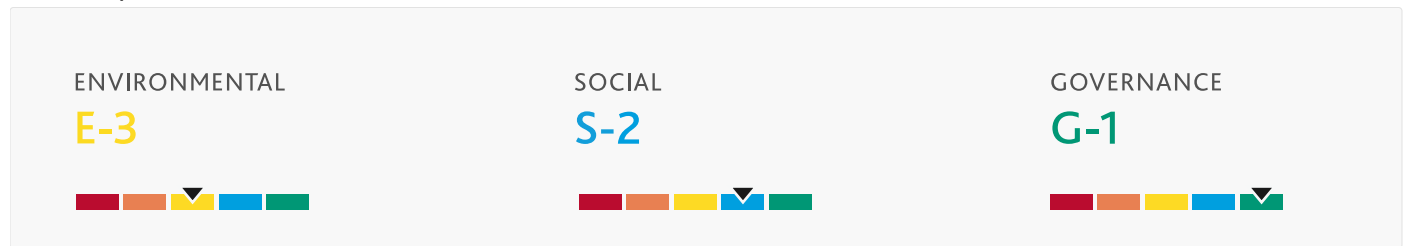
ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

Morris County's ESG credit impact score of **CIS-2** reflects the limited impact that environmental, social, and governance risks have on the county's credit quality.

Exhibit 4

## ESG issuer profile scores



Source: Moody's Ratings

**Environmental**

The county has moderate exposure to environmental risks. While carbon transition, water, natural capital, and pollution risks are modest, the county is exposed to heat stress, hurricanes, and potential wildfires.

**Social**

Exposure to social risk is limited. The county has above-average resident wealth and income, though affordable housing is one of the county's major challenges. Overall, demographics and educational attainment are strengths. Residents have easy access to basic services and the county scores favorably in health and safety.

**Governance**

Morris County's strong governance is reflected in a score of **G-1**. The county has built a deep bench of civil servants and outside professionals to implement its policy objectives. This, plus a combination of a strong state-wide institutional framework and highly conservative budgeting, has allowed the county not only to strengthen its finances but to do so while providing various forms of assistance to its local governments.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.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.

## Appendix

Exhibit 5

### 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 Investors Service
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 Investors Service
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 Investors Service
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 Investors Service
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 Investors Service
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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