

**CREDIT OPINION**

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**Township of North Bergen, NJ**

## Update to credit analysis

**Summary**

North Bergen, NJ (Aa3) benefits from its prime location in Hudson County next to New York City, stable reserves but above-average leverage.

**Credit strengths**

- » Growing local economy driven by ongoing development
- » Favorable location adjacent to New York City

**Credit challenges**

- » High long-term liabilities and fixed costs
- » Below rating category median resident wealth and income
- » Recent declines in fund balance

**Rating outlook**

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

**Factors that could lead to an upgrade**

- » Increase in fund balance to above 35% of revenues
- » Decline in leverage to below 300% of revenues

**Factors that could lead to a downgrade**

- » Decline in fund balance to below 15% of revenues
- » Increase in leverage to above 500% revenues

## Key indicators

Exhibit 1

### North Bergen (Township of) NJ

	2020	2021	2022	2023	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	88.8%	89.5%	89.6%	85.5%	114.1%
Full Value (\$000)	\$6,595,801	\$6,932,670	\$8,734,632	\$9,686,617	\$2,888,367
Population	61,181	62,686	62,066	61,202	22,430
Full value per capita (\$)	\$107,808	\$110,594	\$140,731	\$158,273	\$125,640
Annual Growth in Real GDP	-3.1%	5.1%	2.2%	1.6%	2.0%
<b>Financial Performance</b>					
Revenue (\$000)	\$94,447	\$104,095	\$105,049	\$104,068	\$52,335
Available fund balance (\$000)	\$29,611	\$26,950	\$22,771	\$22,375	\$29,526
Net unrestricted cash (\$000)	\$37,498	\$38,109	\$37,993	\$30,329	\$41,432
Available fund balance ratio (%)	31.4%	25.9%	21.7%	21.5%	57.1%
Liquidity ratio (%)	39.7%	36.6%	36.2%	29.1%	79.6%
<b>Leverage</b>					
Debt (\$000)	\$132,919	\$130,442	\$128,939	\$126,852	\$37,305
Adjusted net pension liabilities (\$000)	\$174,117	\$152,917	\$127,734	\$114,209	\$45,496
Adjusted net OPEB liabilities (\$000)	\$310,865	\$299,086	\$186,833	\$196,133	\$4,376
Other long-term liabilities (\$000)	\$4,345	\$5,378	\$5,649	\$5,613	\$1,726
Long-term liabilities ratio (%)	658.8%	564.7%	427.6%	425.5%	210.2%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$9,769	\$9,519	\$9,149	\$9,005	\$2,477
Pension tread water contribution (\$000)	\$6,008	\$6,277	\$5,166	\$6,161	\$1,199
OPEB contributions (\$000)	\$8,793	\$8,812	\$8,355	\$8,235	\$179
Implied cost of other long-term liabilities (\$000)	\$0	\$311	\$377	\$395	\$115
Fixed-costs ratio (%)	26.0%	23.9%	21.9%	22.9%	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 Metropolitan Statistical Area.

Sources: US Census Bureau, North Bergen (Township of) NJ's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

North Bergen Township is located in Hudson County (Aa2 stable) in northern New Jersey (A1 positive). The township has a population of around 61,200.

## Detailed credit considerations

North Bergen continues to benefit from ongoing residential and commercial development that will continue to lead to tax base growth. The township recently saw the completion of 1,335 multifamily residential units, with an additional 1,738 units that have been approved or are in various stages of planning. The township's proximity to New York City (Aa2 stable) and Jersey City (A1 stable), access to transit via the Hudson-Bergen Light Rail and ongoing development of new housing will make it a desirable location that will continue to drive growth. These development projects bring either PILOT or new property tax revenues to the township.

North Bergen's financial position remains satisfactory despite being below historical levels. Unaudited fiscal 2024 results are still in progress however management is expecting the stated fund balance to increase from \$3.9 million to around \$6 million. On a Moody's adjusted basis, fund balance should also increase, all other reserves being equal. The 2024 budget included a 10% increase in taxes to cover growing expenditures. The fiscal 2025 budget is still in progress but the township is expecting growing revenues including increasing PILOT collections, other non-property local revenues including cannabis revenues, and likely an increase in property taxes. While the township's fund balance is still sufficient for the rating category, inability for fund balance to keep pace with peers (especially given its large leverage profile) will be negative for the township.

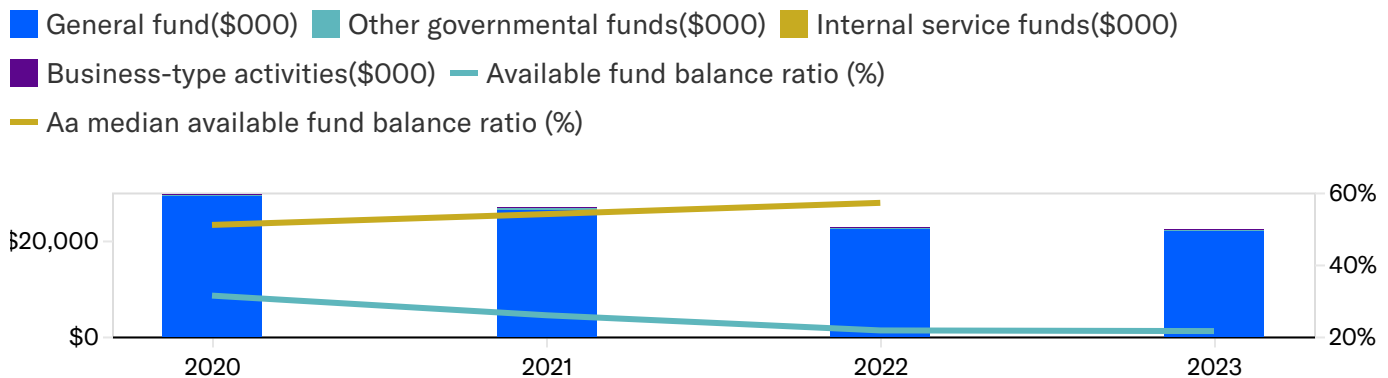
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North Bergen's leverage will remain elevated over the medium term. Management has routine capital projects that will not materially change its outstanding debt balance in the near-term. In addition to debt, the township has substantial pension and OPEB liabilities. Pension and OPEB liabilities will remain elevated but will decline moderately as management implements measures to reduce retiree benefits.

## Financial operations

Exhibit 2

### Fund Balance

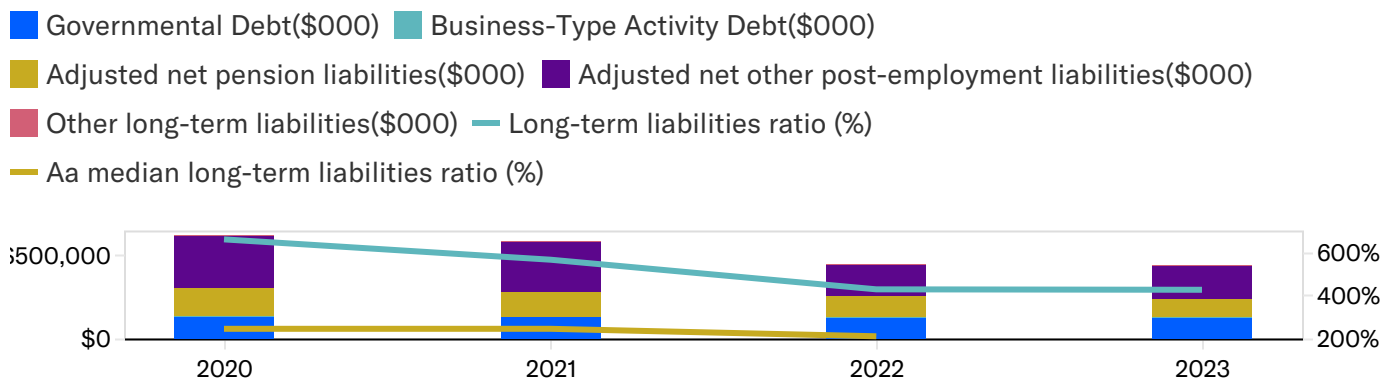


Source: Moody's Ratings

## Leverage

Exhibit 3

### Total Primary Government - Long Term Liabilities



Source: Moody's Ratings

## ESG considerations

### Environmental

Environmental risks are not material to the township's credit profile. Per data from Moody's ESG Solutions, the district's location in Hudson County, NJ puts it at medium risk for heat stress, hurricanes, water stress, and sea level rise.

### Social

Social considerations include the township's stable population that will grow due to new development, average resident incomes, and growing property wealth levels.

### Governance

The township benefits from strong governance. The district is governed by a five-member board of commissioners. The township budgets conservatively and has sound financial transparency and disclosure practices, including the timely filing of audited financial statements and budget adoption.

## 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 scorecard does not consider the very strong economic activity occurring in the township that is generating new revenues to support operations. Additionally, the township has increased taxes significantly in 2024 and likely again in 2025 to keep fund balance at or above current levels.

Exhibit 4

### North Bergen (Township of) NJ

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	85.5%	10.0%	A
Full value per capita	163,670	10.0%	Aa
Economic growth metric	-0.8%	10.0%	Aa
<b>Financial Performance</b>			
Available fund balance ratio	21.5%	20.0%	A
Liquidity ratio	29.1%	10.0%	A
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	425.5%	20.0%	Baa
Fixed-costs ratio	22.9%	10.0%	Baa
<b>Notching factors</b>			
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			A2
<b>Assigned Rating</b>			<b>Aa3</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, North Bergen (Township of) NJ's financial statements and Moody's Ratings

## 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 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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