

CREDIT OPINION

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Borough of Manville, NJ

Update to credit analysis following upgrade

Summary

Manville Borough, NJ (Aa3) benefits from a strong financial position marked by healthy reserves and liquidity. The borough also benefits from a stable local economy, above-average resident wealth and income levels and a highly manageable leverage position. These benefits are somewhat offset by the borough's limited opportunities for new developments and exposure to flooding risk.

Credit strengths

- » Favorable location near major employment hubs
- » Strong financial position
- » Below-average leverage

Credit challenges

- » Largely built out borough with limited opportunities for new development
- » Moderate environmental risks due proximity to the Raritan and Millstone Rivers

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 resident income ratio to 125% or higher
- » Decrease in the long-term liabilities ratio to 150% or lower

Factors that could lead to a downgrade

- » Decrease in the available fund balance ratio to 30% or lower.
- » Increase in the long-term liabilities ratio to 400% or higher
- » Significant contraction of the local economy

Key indicators

Exhibit 1

Manville (Borough of) NJ

	2020	2021	2022	2023	A Medians
Economy					
Resident income ratio (%)	96.7%	100.6%	101.2%	106.3%	84.1%
Full Value (\$000)	\$921,192	\$972,278	\$1,039,739	\$1,184,761	\$773,368
Population	10,193	10,861	10,892	10,870	10,256
Full value per capita (\$)	\$90,375	\$89,520	\$95,459	\$108,994	\$73,014
Annual Growth in Real GDP	-3.1%	5.1%	2.2%	1.6%	1.4%
Financial Performance					
Revenue (\$000)	\$14,710	\$16,404	\$16,024	\$17,445	\$23,569
Available fund balance (\$000)	\$4,921	\$4,986	\$6,672	\$7,700	\$10,598
Net unrestricted cash (\$000)	\$7,213	\$8,484	\$8,734	\$8,717	\$14,985
Available fund balance ratio (%)	33.5%	30.4%	41.6%	44.1%	43.2%
Liquidity ratio (%)	49.0%	51.7%	54.5%	50.0%	60.8%
Leverage					
Debt (\$000)	\$4,350	\$3,775	\$3,225	\$2,675	\$19,877
Adjusted net pension liabilities (\$000)	\$40,570	\$30,601	\$25,204	\$20,382	\$22,873
Adjusted net OPEB liabilities (\$000)	\$7,792	\$7,885	\$10,775	\$9,907	\$1,390
Other long-term liabilities (\$000)	\$0	\$0	\$0	\$0	\$783
Long-term liabilities ratio (%)	358.3%	257.6%	244.7%	189.0%	234.0%
Fixed costs					
Implied debt service (\$000)	\$361	\$312	\$265	\$225	\$1,262
Pension tread water contribution (\$000)	\$1,273	\$1,167	\$959	\$1,101	\$544
OPEB contributions (\$000)	\$455	\$131	\$219	\$228	\$62
Implied cost of other long-term liabilities (\$000)	\$0	\$0	\$0	\$0	\$53
Fixed-costs ratio (%)	14.2%	9.8%	9.0%	8.9%	11.3%

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

Profile

Manville is a borough in Somerset County (Aaa stable) with a population of approximately 10,870, within commuting distance to major employment hubs.

Detailed credit considerations

Manville's local economy will remain a credit strength as it continues to benefit from its favorable location in northern New Jersey with access to major employment hubs. The borough's tax base is largely developed, with only modest ongoing developments, yet it continues to grow at a healthy pace due to rising home values. Over the past five years, the compound annual growth rate in full value has been a solid 7.7%. The borough's policy of conducting annual reassessments ensures that assessed values keep pace with market trends, thereby eliminating the need for costly full revaluations every decade or so and reducing the risk of significant tax appeals. Additionally, the borough benefits from above-average resident income levels with an adjusted median household income (MHI) of 106% of the US MHI. Resident property wealth is also above-average with an equalized value per capita of \$120,044.

The borough's financial position is strong and recently bolstered by the sale of its wastewater system to New Jersey American Water (A3 stable) for \$6.5 million in late 2024. The proceeds from the sale will be allocated as follows: \$2.1 million will be used to retire existing borough debt, \$3.0 million will be reserved for future capital projects and storm recovery reserve, and the remaining \$1.4 million will be added to the current fund balance. As of year-end 2023, the borough had an available fund balance of \$7.7 million, or a healthy 44.1% of revenue. With the sale of the wastewater system, unaudited figures for 2024 indicate that the available fund balance will increase to \$11.2 million, or 66% of revenue. While there will be a modest drawdown on reserves committed to specific purposes,

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the available fund balance ratio is expected to remain above 56%. Looking ahead to 2025, borough management anticipates ending the year with a surplus, adding an additional \$200,000 to the reported current fund balance.

The borough's leverage position is highly manageable and well below-average compared to peers in New Jersey. As of the end of 2023, the borough had \$33.0 million in long-term liabilities, which equates to 189% of its revenue. With the defeasance of \$2.1 million of outstanding debt in 2024, anticipated reductions in adjusted pension liabilities in the near-term, and the absence of material new borrowings due to reserves set aside from the wastewater system sale, long-term liabilities and fixed costs are expected to remain below-average and highly affordable.

ESG considerations

Environmental

Due to the borough's proximity to the Raritan and Millstone rivers, Manville is prone to flooding which have the potential to do considerable damage, such as from Hurricane Ida in 2021 and Irene in 2011. Favorably, the borough has access to state aid and federal funding in the event of a natural disaster as seen by the aid received from these sources for Hurricane Ida. A strong financial position with healthy reserves and liquidity also aids in storm recovery efforts.

Social

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

Governance

Although the borough does not have a formal fund balance policy, they aim to budget conservatively to maintain balanced operations and healthy reserve levels.

New Jersey municipalities have an Institutional Framework score of Aa, which is high. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue sources are subject to a cap which can be overridden with voter approval only. However, the cap of 2% still allows for moderate revenue-raising ability and excludes debt service, pensions, and certain health care costs. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

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 2

Manville (Borough of) NJ

	Measure	Weight	Score
Economy			
Resident income ratio	106.3%	10.0%	Aa
Full value per capita	120,044	10.0%	Aa
Economic growth metric	-0.8%	10.0%	Aa
Financial Performance			
Available fund balance ratio	44.1%	20.0%	Aaa
Liquidity ratio	50.0%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	189.0%	20.0%	Aa
Fixed-costs ratio	8.9%	10.0%	Aaa
Notching factors			
Financial disclosures	-0.5		
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa3

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, Manville (Borough of) NJ's financial statements and Moody's Ratings

Appendix

Exhibit 3

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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