

## CREDIT OPINION

7 February 2018

Rate this Research



### Contacts

Douglas Goldmacher +1.212.553.1477  
*Analyst*  
 douglas.goldmacher@moody's.com

Orlie Prince +1.212.553.7738  
*VP-Sr Credit Officer/  
 Manager*  
 orlie.prince@moody's.com

### CLIENT SERVICES

Americas 1-212-553-1653  
 Asia Pacific 852-3551-3077  
 Japan 81-3-5408-4100  
 EMEA 44-20-7772-5454

## Cresskill (Borough of) NJ

### Update to credit analysis

#### Summary

The [Borough of Cresskill](#) (Aa2) is a high wealth suburb of [New York City](#) (Aa2 stable). The borough has very healthy reserves, modest debt, and favorably, does not offer post-retirement benefits.

On February 7, 2018 a press release was published assigning a Aa2 to the borough's \$7 million GOULT issuance.

#### Credit strengths

- » Above-average resident wealth and income
- » Favorable location near job centers in northern [New Jersey](#) (A3 stable) and New York City

#### Credit challenges

- » Limited room for expansion

#### Rating outlook

Outlooks are not usually assigned to ratings with this level of debt outstanding.

#### Factors that could lead to an upgrade

- » Substantial growth in the borough's tax base and resident wealth and income

#### Factors that could lead to a downgrade

- » Material deterioration of the tax base and resident wealth and income
- » Sustained, material decrease in reserves

#### Key indicators

Exhibit 1

Cresskill (Borough of) NJ	2012	2013	2014	2015	2016
<b>Economy/ Tax Base</b>					
Total Full Value (\$000)	\$2,074,564	\$2,002,042	\$2,078,274	\$2,141,245	\$2,201,412
Population	8,541	8,605	8,669	8,729	8,812
Full Value Per Capita	\$242,895	\$232,660	\$239,736	\$245,302	\$249,820
Median Family Income (% of USMedian)	182.9%	186.0%	183.6%	188.0%	188.0%
<b>Finances</b>					
Operating Revenue (\$000)	\$15,584	\$15,819	\$16,316	\$16,808	\$17,784
Fund Balance (\$000)	\$3,415	\$3,620	\$3,946	\$4,278	\$4,599
Cash Balance (\$000)	\$7,525	\$8,330	\$8,757	\$9,263	\$9,717
Fund Balance as a % of Revenues	21.9%	22.9%	24.2%	25.4%	25.9%
Cash Balance as a % of Revenues	48.3%	52.7%	53.7%	55.1%	54.6%
<b>Debt/ Pensions</b>					
Net Direct Debt (\$000)	\$10,824	\$10,500	\$10,202	\$10,287	\$14,119
3-Year Average of Moody's ANPL (\$000)	\$18,164	\$20,342	\$23,216	\$29,899	\$36,918
Net Direct Debt / Operating Revenues (x)	0.7x	0.7x	0.6x	0.6x	0.8x
Net Direct Debt / Full Value (%)	0.5%	0.5%	0.5%	0.5%	0.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.2x	1.3x	1.4x	1.8x	2.1x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.9%	1.0%	1.1%	1.4%	1.7%

The fund balances in the above table reflects the Moody's-adjusted fund balance.

Sources: Moody's Investors Service, Cresskill audited financial statements

## Profile

Cresskill is a high-wealth suburb of New York City located in [Bergen County](#) (Aaa stable). It has a population of approximately 8,700.

## Detailed credit considerations

### Economy: High wealth tax base shows return to growth

The borough's tax base will remain stable given its access to employment opportunities in the New York City area and above-average resident wealth and income. Cresskill, located 11 miles north of New York City, is largely residential with a modest commercial base. The \$2.3 billion tax base benefits from well above-average resident wealth and income with a median family income equal to 188% of the national median. After showing modest declines from 2009 through 2013 (inclusive) the tax base has grown in four consecutive years resulting in a five-year compound annual increase for Cresskill's equalized value of 1.9%.

The base is largely built out with only a modest amount of vacant land. Nonetheless, there is ongoing development. Management reports a number of townhouses being constructed which should lead to some more growth.

### Finances and Liquidity: Strong finances with healthy reserves

The borough's financial position will remain strong in the medium term as management continues to budget conservatively. Current Fund balance increased in 2016 to \$2.4 million, or 13.7% of revenues from \$2 million, or 12.1% of Current Fund revenues in 2015. Moody's makes [certain adjustments](#) to New Jersey local governments' fund balances to include receivables and reserves that would be eligible to be included in fund balance under GAAP accounting but are excluded as a result of state statutory accounting regulations. The township's Moody's-adjusted Current Fund Balance increased to \$4.6 million (25.9%) in 2016 from \$4.3 million (25.4%) in 2015. Since 2010, reported fund balance is up 74% while adjusted fund balance is up 48%. The increase is due to conservative budgeting and slow, steady tax increases.

Although audited financial statements are not yet available, preliminary 2017 show reported fund balance increasing to \$2.6 million.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

The borough's fixed costs including debt service and pensions are slightly below-average, particularly for New Jersey, at \$2.4 million, or 13.7% of revenues. Favorably, the borough does not offer post-retirement health benefits.

#### **LIQUIDITY**

The borough's liquidity is strong. In 2016 the borough ended with Current Fund cash of \$9.7 million, or 54.6% of revenues. Cash remains strong even after subtracting a routine \$5.1 million payable to the local school district.

#### **Debt and Pensions: Modest debt with slightly above-average pension burden**

The debt burden will remain moderate for the medium term as the borough has only limited plans to issue debt. Post-sale, the net direct debt is equal to 0.6% of equalized value.

#### **DEBT STRUCTURE**

All of the township's long-term debt is fixed rate. The borough typically issues BANs and rolls them for a number of years before bonding out. Post-sale, there will be no remaining BANs.

#### **DEBT-RELATED DERIVATIVES**

The borough has no derivative exposure.

#### **PENSIONS AND OPEB**

Cresskill has an above-average, but still manageable, defined-benefit pension burden, based on Moody's-estimated share of cost-sharing plans administered by the state. Moody's adjusted net pension liability (ANPL) for the township, under our methodology for adjusting reported pension data, is \$47.2 million, or an above-average 2.65 times Current Fund revenues. The borough's 2016 contribution to the retirement system was \$820,000 for the Police and Firemen's Retirement System (PFRS) and \$394,000 for the Public Employees' Retirement System (PERS). Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the township's reported liability information, but to improve comparability with other rated entities.

#### **Governance**

Cresskill has a history of conservative budgeting. Notable examples include budgeting with a lower than usual collection rate, and providing monthly updates to the governing body.

New Jersey Cities have an Institutional Framework score of Aa, which is high compared to the nation. 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. The state has public sector unions, which can limit the ability to cut expenditures.

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454