

Research Update:

Lower Township, NJ Series 2025 GO Improvement Bonds Assigned 'AA' Rating; Outlook Stable

September 12, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Lower Township](#), N.J.'s approximately \$12 million series 2025 general obligation (GO) improvement bonds.
- S&P Global Ratings also affirmed its 'AA' rating on the township's existing GO debt.
- The outlook is stable.
- The rating is based on the application of our criteria, "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

Rationale

Security

Lower's full-faith-and-credit pledge secures the bonds and existing debt.

Officials intend to use series 2025 bond proceeds to provide funding for various capital projects.

Credit highlights

The rating reflects our view of Lower Township's strong reserve position, which the township has maintained over the past few years through balanced operations, supported by a robust set of management policies and practices. In addition, we view Lower Township's manageable debt and liabilities burden, with rapid debt amortization despite elevated fixed costs, as an additional factor supporting the rating. However, the township's local income indicators, which we view as below average when compared with those of higher-rated peers, remains an upward rating limiting factor.

The primarily residential Lower Township's local economy encompasses tourism, retail, and commercial fishing. As a beachfront community, we understand the township's population nearly doubles during the summer months as is typical for many communities in Cape May County. Although incomes remain on par with the U.S., the township's tax base has experienced significant growth over the past few years due to property appreciation and some developments.

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These include new residential projects that are at various stages of development, coupled with a technology village at the local airport.

The township has maintained overall balanced operations in the past few years with a slight drawdown in fiscal 2024. According to management, Lower Township elected to use some reserves in fiscal 2024, which led to the drawdown. However, the township's available reserves remain strong and have averaged more than 25% in the past three years. For fiscal 2025, the officials indicate budget to actuals are tracking favorably and currently expect to end the year with an increase in the fund balance. In addition, we understand the township completed a sale of municipal-owned land that netted it about \$1 million, which it did not include in its adopted fiscal 2025 budget. Therefore, we expect Lower Township's financial operations and reserve levels will remain stable.

With this issuance, Lower Township will have about \$34.5 million in total direct debt. The township has a rapid amortization debt of more than 87% over the next 10 years, inclusive of this debt issuance, which we believe contributes to its elevated fixed costs. Lower Township expects to issue \$2 million-\$4 million annually as part of its capital improvement program. However, we don't expect this to materially impact its debt profile.

The long-term rating reflects our view of Lower Township's:

- Stable local economy that we consider as somewhat limited given the township's reliance on seasonal and tourism activity, which can fluctuate year to year. In addition, we view local and county-level incomes generally on par with the national average. At the same time, the township's wealth metrics and tax base remain strong and continue to grow.
- Continued maintenance of strong reserves despite a slight drawdown in fiscal 2024. The township expects positive operations for fiscal 2025 and currently has no plans to drawdown on available reserves in the foreseeable future.
- Conservative budgeting practices that include quarterly reporting of budget to actuals to the board, coupled with a long-term capital improvement plan, a multiyear budget forecast, a formal investment policy and debt management policy, and a formal reserve policy of keeping reserves, at minimum, at 10%-20% of budget. The township maintains cybersecurity protections in place.
- Manageable debt and liability burden, with elevated fixed costs, but rapid amortization of long-term debt. Although the township has additional debt plans, we don't expect these to negatively affect its existing debt profile. The township's combined proportionate share of the net pension liability for both Police and Firemen's Retirement System and the Public Employees' Retirement System totaled about \$41 million in fiscal 2024. Its other postemployment benefit liability totaled about \$29 million, which weakens our view of the township's overall liability profile.
- For more information on our institutional framework assessment for New Jersey municipalities, see "[Institutional Framework Assessment: New Jersey Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We view Lower Township's social, and governance risks as neutral in our analysis. However, we view the township's physical risk as elevated because the township is a beachfront community that is susceptible to risks we see with other coastal communities, including rising sea levels, coastal erosion, and flooding. We understand management has allocated funds in its capital

budget for beach-and-dune-replenishment projects in susceptible areas and has used American Rescue Plan funds in the past to address drainage issues townshipwide.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the township's existing strong management practices will likely continue to guide it to produce at least breakeven operating results and maintain strong reserve levels.

Downside scenario

We could lower the rating if performance were to weaken, causing reserves to decrease materially without a plan to restore reserves.

Upside scenario

We could raise the rating if the township's local economic indicators were to improve to levels comparable with those of higher-rated peers, while maintaining its strong reserve position and reducing long-term liabilities.

Lower Township, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.09
Economy	1.5
Financial performance	3
Reserves and liquidity	1
Management	1.70
Debt and liabilities	3.25

Lower Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	97	94
County PCPI % of U.S.	--	--	114	111
Market value (\$000s)	--	7,421,129	6,443,026	5,678,003
Market value per capita (\$)	--	340,684	293,813	263,529
Top 10 taxpayers % of taxable value	--	2.7	2.7	2.9
County unemployment rate (%)	--	8.0	7.9	7.0
Local median household EBI % of U.S.	--	100	100	102
Local per capita EBI % of U.S.	--	104	107	107
Local population	--	21,783	21,929	21,546
Financial performance				
Operating fund revenues (\$000s)	--	37	32	32
Operating fund expenditures (\$000s)	--	37	32	32
Net transfers and other adjustments (\$000s)	--	75	25	--
Operating result (\$000s)	--	(312)	25	(339)

Lower Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Operating result % of revenues	--	(0.8)	0.1	(1.1)
Operating result three-year average %	--	(0.6)	0.7	(0.4)
Reserves and liquidity				
Available reserves % of operating revenues	--	25.7	30.2	26.7
Available reserves (\$000s)	--	9,426	9,738	8,422
Debt and liabilities				
Debt service cost % of revenues	--	12.5	10.7	10.4
Net direct debt per capita (\$)	1,583	1,033	1,340	900
Net direct debt (\$000s)	34,490	22,499	29,395	19,401
Direct debt 10-year amortization (%)	87	95	--	--
Pension and OPEB cost % of revenues	--	10.0	9.0	11.0
NPLs per capita (\$)	--	976	970	1,033
Combined NPLs (\$000s)	--	21,266	21,266	22,254

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$12.0 mil GO bnds ser 2025 due 10/01/2037

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

Lower Twp, NJ Unlimited Tax General Obligation AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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