Research Update:

Montville Township, NJ Series 2025 BANs Assigned 'SP-1+' Rating; GO Debt Affirmed At 'AAA'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to Montville Township, N.J.'s roughly $19.5 million series 2025 bond anticipation notes (BANs), consisting of $11.9 million in general improvement BANs, $5.7 million in water utility BANs, and $1.8 million in sewer utility BANs.
- At the same time, we affirmed our 'AAA' rating on the township's existing general obligation (GO) debt.
- The outlook, where applicable, is stable.

Rationale

Security

Montville's full faith and credit secures the notes. The short-term rating reflects our criteria for evaluating and rating BANs. Montville maintains a very strong capacity to pay principal and interest when the notes come due. We view the township's market risk profile as low because it has strong legal authority to issue long-term debt to take out the notes and is a frequent debt issuer that regularly provides disclosure to market participants.

Note proceeds will roll over previously issued BANs, pay down about $1.3 million of debt, and provide $10 million in new money to fund various township capital projects.

The township's full-faith-and-credit pledge secures its GO bonds.

Credit highlights

Montville's creditworthiness is characterized by an affluent, highly desirable residential community with a population of about 22,400 in Morris County, roughly 10 miles north of Morristown and 30 miles west of New York City off interstates 287 and 80, respectively. The township’s economic underpinnings, combined with solid management practices and policies, support a history of strong financial operations and maintenance of available current fund reserves at close to 30% of revenue.

The township has maintained balanced or surplus operations over the past five fiscal years, aided by conservative budgeting practices. In fiscal 2024, the township fully replenished appropriated fund balance and increased current fund reserves by more than $1.0 million. Property taxes are the primary revenue source of current fund revenue, accounting for about two-thirds of revenue.

The fiscal 2025 budget included a $4.7 million fund balance appropriation. The budget assumes a 97.7% property tax collection rate, which the township historically has far surpassed. Based on year-to-date results, officials expect to end fiscal 2025 with a replenished fund balance at a minimum, and likely a surplus. In addition, the township maintains about $2.5 million in banked levy cap from previous years available for the fiscal 2026 budget, providing further financial flexibility. Overall, we expect the financial profile to remain stable.

Montville has about $36 million of total direct debt. Total fixed costs are moderate at roughly 21%. Most of the township’s capital needs consist of utility projects currently totaling an estimated $30 million-$35 million for a new water treatment facility. Management anticipates funding these costs primarily through rate increases, while general government projects are minimal. We understand the township could layer in debt service payments to keep annual costs relatively flat. As a result, we do not anticipate the township’s overall debt profile will materially change over the next two years.

We continue to view Montville’s pension and other postemployment benefit (OPEB) plans as a credit weakness, similar to that of most New Jersey local governments given the elevated costs and per capita debt-and-retirement liabilities. While these costs remain manageable for the township and we do not view them as an immediate credit concern, we believe they could increase and add some pressure to the budget depending on the state's adherence to its pension funding schedule. (For more information see "Pension Spotlight: New Jersey," Oct. 9, 2025). The state also prevents the township from prefunding its $25.8 million OPEB liability, with no funding mechanism in place.

The rating reflects our view of Montville’s:

- Affluent, desirable, residential community with direct access to New York City. Income levels are extremely strong, which we view as a credit positive, and there is significant redevelopment investment along the township’s Route 46 East and West commercial corridors that it anticipates will generate new payment in lieu of taxes (PILOT) revenue;
- Positive finances, with a fund surplus in fiscal 2024 and a slight surplus expected for fiscal 2025 due in part to increased PILOT revenue, with reserves that management expects to increase slightly at year end;
- Conservative budgeting, contributing to historically positive results, coupled with budget monitoring and annually updated formalized long-term planning and capital planning. This comes in addition to a cash management plan, and a fund balance policy that targets reserves at 10%-20% of budgeted expenses;
- Moderate per capita debt-and-retirement liabilities with associated fixed costs, which combined account for roughly 21% of the budget. We forecast no material changes in the debt profile given limited additional issuance plans. Pension liabilities total $27 million and the township’s OPEB liability totals $25.8 million. Additional debt plans consist primarily of utility projects, which management anticipates funding primarily through rate increases.

- For more information on our institutional framework assessment for New Jersey municipalities, see: "Institutional Framework Assessment: New Jersey Local Governments," Sept. 9, 2024.

Environmental, social, and governance

We consider environmental and social risks credit neutral. We view Montville's governance risk as generally in-line with that of its peers, but pension funding discipline and state assumption choices will likely lead to elevated and volatile costs for the township.

Rating above the sovereign

Montville's GO bonds are eligible to be rated above the sovereign because we think the township can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013, the township has a predominantly locally derived revenue source with independent taxing authority and treasury management from the federal government.

Outlook

The stable outlook reflects the township's wealthy local economy that continues to experience good growth, supporting strong and steady financial operations, along with fixed costs that we expect will remain manageable.

Downside scenario

We could lower the rating if financial performance weakens significantly, leading to materially lower available reserve levels, or if the township's liabilities or fixed costs materially increase, adversely pressuring debt metrics or the budget.

Credit Opinion

Montville Township, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.88
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.65
Debt and liabilities	3.75

Montville Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	174	174	179
County PCPI % of U.S.	--	166	166	164
Market value ($000s)	--	6,304,071	5,730,802	5,361,597

Montville Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Market value per capita ($)	--	281,344	255,133	242,091
Top 10 taxpayers % of taxable value	--	5.6	5.2	5.2
County unemployment rate (%)	--	3.7	3.5	3.1
Local median household EBI % of U.S.	--	179	184	188
Local per capita EBI % of U.S.	--	170	169	175
Local population	--	22,407	22,462	22,147
Financial performance				
Operating fund revenues ($000s)	--	32,612	32,474	31,890
Operating fund expenditures ($000s)	--	31,586	32,239	31,173
Net transfers and other adjustments ($000s)	--	--	--	--
Operating result ($000s)	--	1,026	235	717
Operating result % of revenues	--	3.1	0.7	2.2
Operating result three-year average %	--	2.0	2.9	3.1
Reserves and liquidity				
Available reserves % of operating revenues	--	30.0	26.9	26.7
Available reserves ($000s)	--	9,776	8,749	8,514
Debt and liabilities				
Debt service cost % of revenues	--	9.4	10.8	12.6
Net direct debt per capita ($)	1,596	1,207	1,157	1,054
Net direct debt ($000s)	35,763	27,048	25,988	23,353
Direct debt 10-year amortization (%)	89	54	--	--
Pension and OPEB cost % of revenues	--	9.0	8.0	8.0
NPLs per capita ($)	--	1,206	1,203	1,173
Combined NPLs ($000s)	--	27,013	27,013	25,985

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$19.474 mil BANs ser 2025 due 11/02/2026	
Short Term Rating	SP-1+
New Rating	
Local Government	
Montville Township NJ, Bond Anticipation Notes	SP-1+
Ratings Affirmed	
Local Government	
Montville Township, NJ Unlimited Tax General Obligation	AAA/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.