

Research Update:

Monroe Township (Middlesex County), NJ Series 2025 Energy Savings Obligation Refunding Bonds Rated 'AA+'

November 21, 2025

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Monroe Township \(Middlesex County\)](#), N.J.'s \$10.4 million series 2025 energy savings obligation refunding bonds.
- The outlook is stable.

Rationale

Security

Monroe's full faith and credit, including the requirement to levy ad valorem taxes on all taxable property within the township's borders without limitation as to rate or amount, secures the 2025 bonds. Bond proceeds will be used to finance various energy conservation improvements in and for the township.

Credit highlights

The rating reflects the township's stable financial profile supported by an expanding economic base and conservative budgeting. Monroe expects significant warehouse development in the next few years, coupled with several residential projects, which will continue to drive its increasing tax base. In the past four years, the township's equalized value has grown significantly to \$14.1 billion from \$9.7 billion. We expect the additional projects to support growth in the township's property tax revenue, which accounts for about 67% of the revenue base. The growing revenue base, as well as the township's levy cap bank, supports the stable outlook. However, we continue to monitor the township's growing debt burden and recent utilization of reserves, as this could lead to negative pressure on the township's credit profile.

The township has maintained balanced operations through conservative budgeting and higher-than-anticipated miscellaneous revenues. Monroe did not fully regenerate all of its appropriated fund balance; while expenditures were in line with the budget, certain revenues did not

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materialize at levels previously generated. The township also has \$2.4 million in levy cap bank available for the fiscal 2026 budget, which we view as additional revenue-raising flexibility should it be required. For the water/sewer supported debt, management recently increased rates to ensure self-support in the future. The fiscal 2025 budget is \$76.4 million, and includes \$10.9 million in appropriated fund balance, which has been the amount appropriated in the last three budget years. The township is budgeting receipt of its property taxes at a historically lower collection rate than it receives. We expect the township may not fully regenerate its surplus, as there have been tax appeals, and revenues are slightly behind budgeted levels.

After this debt issuance, the township will have \$142.8 million in outstanding debt. We view a portion of the debt as self-supporting.

The rating also reflects our view of Monroe's:

- Robust economic base, with county-level economic activity on a per capita basis that is higher than the national average. Monroe has higher residential incomes compared with those of the nation due to its access and participation in the New York City metropolitan statistical area. We expect its tax base will continue to appreciate, given expected commercial and residential developments.
- Budgetary assumptions and techniques generally consistent with those of other New Jersey municipalities, including the use of trend analysis when developing revenue and expenditure projections for the upcoming budget year and an expected return to more regular reporting on budget-to-actual performance. Officials maintain a six-year capital plan that is part of the state-mandated budget form, while also adhering to state guidelines for investments and debt policies. The township has formally adopted a reserve policy to maintain at least 8% in reserves, with the goal of more than 10%, which it is exceeding. Management is taking steps to mitigate cyber risk.
- Despite a drawdown of reserves in fiscal 2024 and possibly in 2025, management does not expect a material use of reserves in the longer term. We expect the township to maintain reserves higher than its policy threshold over our outlook period; however, if negative results in 2025 bring reserves closer to 15% of revenues or below without a plan to replenish, we could take negative rating action.
- The township participates in the two state-run pension plans, with proportionate liabilities totaling \$26.5 million (Police and Firemen's Plan) and \$36.5 million (Public Employees Plan). Monroe is currently managing pension costs; however, the township has a limited ability to control liability growth due to state restrictions. Pension payments were below our minimum funding progress threshold. (For more details and information on these risks, see "[Pension Spotlight: New Jersey](#)," published Oct. 9, 2025, on RatingsDirect.) It maintains its own other postemployment benefits (OPEB) plan, which is \$211 million and unfunded.
- Elevated debt and liability profile, as the township issues debt for a wide variety of capital needs. In addition, its net pension and OPEB liability is elevated on a per capita basis. However, total liabilities, including debt, pensions, and OPEBs are more manageable in relation to the tax base at roughly 2.97% of its market value. A portion of the debt is also self-supporting with enterprise revenues. Its outstanding debt is paid off quickly, contributing to its overall higher fixed cost burden.
- 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 have analyzed environmental and social factors relative to Monroe's economy, management, financial measures, and debt and liability profile, and view them as neutral within our credit analysis. We view the state's governance of its pension plans as a weakness for New Jersey local governments.

Outlook

The stable outlook reflects our expectation that the township's expanding local economy will underpin Monroe's balanced operations, providing revenue generation.

Downside scenario

If the township issued a significant amount of unanticipated debt, further weakening its debt and liability profile, or if a negative trend of operations resulted in a sustained trend of utilization of reserves, bringing reserves to levels inconsistent with those of peers, we could lower the rating.

Upside scenario

We could raise the rating if Monroe's debt and liability profile were to moderate while management adopted what we consider robust financial policies that tie to the township's operational performance and goals.

Monroe Township (Middlesex County), New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.37
Economy	1.0
Financial performance	3
Reserves and liquidity	1
Management	2.35
Debt and liabilities	4.50

Monroe Township (Middlesex County), New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	118	120
County PCPI % of U.S.	--	--	106	107
Market value (\$000s)	--	14,149,008	13,730,696	11,779,580
Market value per capita (\$)	--	280,056	274,383	241,801
Top 10 taxpayers % of taxable value	--	6.6	5.8	--
County unemployment rate (%)	--	4.5	4.2	3.5
Local median household EBI % of U.S.	--	138	144	150
Local per capita EBI % of U.S.	--	153	158	160
Local population	--	50,522	50,042	48,716

Monroe Township (Middlesex County), New Jersey--key credit metrics

	Most recent	2024	2023	2022
Financial performance				
Operating fund revenues (\$000s)	--	69,064	65,804	63,319
Operating fund expenditures (\$000s)	--	70,049	65,864	62,893
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	(985)	(60)	426
Operating result % of revenues	--	(1.4)	(0.1)	0.7
Operating result three-year average %	--	(0.3)	2.2	2.5
Reserves and liquidity				
Available reserves % of operating revenues	--	20.7	23.2	24.2
Available reserves (\$000s)	--	14,301	15,286	15,346
Debt and liabilities				
Debt service cost % of revenues	--	10.3	9.2	9.9
Net direct debt per capita (\$)	2,828	2,536	1,205	2,140
Net direct debt (\$000s)	142,894	128,131	60,282	104,229
Direct debt 10-year amortization (%)	70	61	67	--
Pension and OPEB cost % of revenues	--	15.0	15.0	14.0
NPLs per capita (\$)	--	2,589	1,261	1,316
Combined NPLs (\$000s)	--	130,815	63,095	64,124

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\$10,425,000 Monroe Township (Middlesex County), New Jersey, Energy Savings Obligation Refunding Bonds, Series 2025, dated: Date of delivery, due: December 15, 2046

Long Term Rating AA+/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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