

Research Update:

Monroe Township, NJ GO Bond Outlook Revised To Negative On Operating Results

May 4, 2026

Overview

- S&P Global Ratings revised its outlook to negative from stable and affirmed its 'AA+' long-term rating on **Monroe Township**, New Jersey's general obligation (GO) bonds outstanding.
- At the same time, S&P Global Ratings assigned its 'SP-1+' rating to the township's \$58.6 million series 2026 bond anticipation notes (BANs) and affirmed its 'SP-1+' rating on the township's existing BANs.
- The negative outlook reflects the one-in-three chance that we could lower the rating if the township is unable to return to positive operations and rebuild reserves that it has spent down in recent years.

Rationale

Security

Monroe Township'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 notes and GO debt.

The short-term rating reflects our criteria for evaluating and rating BANs. In our view, the township maintains a very strong capacity to make principal and interest payments when the BANs 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 BANs, although no additional authority is required, and because it is a frequent debt issuer that regularly provides ongoing disclosure to market participants. BAN proceeds will be used to fund various capital projects throughout the township.

Credit highlights

The negative outlook reflects the township's three-year trend of negative operating results and inability to fully regenerate its appropriated fund balance. Health care, salaries, benefits, and other costs outpaced revenue growth, leading to the township using \$4.2 million in reserves since 2022. The use of reserves, coupled with a growing debt burden, pressures the township's metrics at its current rating level.

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According to the township's 2025 unaudited annual financial statement, it did not fully regenerate the \$10.9 million in appropriated fund balance. The township saw positive variances in property tax collections and a slight increase in canceled appropriations, but its growing expenditure profile and tax appeals outpacing revenue generation led to the use of \$3.2 million in fund balance. In response, the township's 2026 budget includes a property tax increase of 4.3 cents and an increase in various fees. On the expenditure side, management was able to absorb a significant increase in health care costs along with other cost pressures. The appropriated fund balance in the 2026 budget is \$9.0 million, down slightly from previous years, but roughly 82% of the township's fund balance. Management anticipates the changes in revenues and projected expenditure savings will allow it to end the year with balanced results, without drawing significantly on its reserve position.

After this issuance, the township will have \$164 million in debt outstanding. We view a portion of the debt as self-supporting.

The 'AA+' rating reflects our view of the following:

- The township's economic base is robust, with county-level economic activity on a per capita basis that is higher than the national average. Monroe Township's residential incomes are higher than the nation's due to its access to and participation in the New York City metropolitan statistical area. We expect its tax base will continue to expand, given expected commercial and residential developments.
- Budgetary assumptions and techniques are 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.
- The township has a recent trend of negative operating results, as expenditures have outpaced revenue. Over the last few years, certain revenues did not come in as anticipated, but with recent changes in fee structure, possible increases in cell tower leasing revenue, and a property tax increase, management anticipates its revenue profile should increase. Based on unaudited figures, the township's fund balance is roughly 15.6% of revenues, which is still above its formal policy levels, but further reserve draws, without a plan to replenish them, could pressure the rating further.
- 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). It is currently managing pension costs, but its ability to control liability growth is limited 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](#)," Oct. 9, 2025.) It maintains its own other postemployment benefits (OPEB) plan, which is \$211.1 million and unfunded.
- The debt and liability profile is elevated, 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 OPEB, 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-

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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 Township'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 negative outlook reflects our view that there is at least a one-in-three chance we could lower the rating in the next two years if the township fails to sustain operational balance, resulting in a decreased reserve position.

Downside scenario

We could lower the rating if operations do not stabilize and reserves deteriorate further.

Upside scenario

We could revise the outlook to stable if the township maintains at least balanced operations and begins to rebuild reserves to historical levels.

Monroe Township, 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, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	115	115	117	120
County PCPI % of U.S.	106	106	106	107
Market value (\$000s)	14,149,008	14,149,008	13,730,696	11,779,580
Market value per capita (\$)	280,056	280,056	274,383	241,801
Top 10 taxpayers % of taxable value	6.6	6.6	5.8	--
County unemployment rate (%)	4.7	4.5	4.2	3.7

Monroe Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Local median household EBI % of U.S.	138	138	144	150
Local per capita EBI % of U.S.	153	153	158	160
Local population	50,522	50,522	50,042	48,716
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 (\$)	3,247	2,536	2,159	2,140
Net direct debt (\$000s)	164,029	128,131	108,029	104,229
Direct debt 10-year amortization (%)	74	61	57	61
Pension and OPEB cost % of revenues	--	15.0	15.0	14.0
NPLs per capita (\$)	--	1,166	1,261	1,316
Combined NPLs (\$000s)	--	58,895	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\$58.675 mil BANs ser 2026 due 05/27/2027

Outlook Action

	To	From
Local Government		
Monroe Twp (Middlesex Cnty), NJ Unlimited Tax General Obligation	AA+/Negative	AA+/Stable
Ratings Affirmed		
Local Government		
Monroe Twp (Middlesex Cnty), NJ Unlimited Tax General Obligation BAN	SP-1+	

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

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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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