

Research Update:

Merchantville Borough, NJ GO Debt Rating Outlook Revised To Negative On Reserve Declines

June 17, 2026

Overview

- S&P Global Ratings revised the outlook to negative from stable and affirmed its 'A+' long-term rating on Merchantville Borough, N.J.'s general obligation (GO) debt outstanding.
- At the same time, S&P Global Ratings assigned its 'A+' long-term rating, with a negative outlook, to the borough's roughly \$4.8 million series 2026 general obligation (GO) bonds.
- The negative outlook reflects at least a one-in-three chance that we could lower the rating should financial pressure lead to further reserve declines.

Rationale

Security

The borough's full-faith-and-credit pledge and unlimited taxing power secure the series 2026 bonds and outstanding debt. Series 2026 bonds will be used to refund all bond anticipation notes (BANs) outstanding as well as to finance various general capital improvements within the borough.

Credit highlights

The rating reflects the borough's stable economy, characterized by income metrics that are in line with U.S. and county averages, as well as its recent history of negative operating performance and reserve levels that are significantly lower than those of similarly rated peers.

In recent years, the borough's operating performance has been negative due to escalating health benefits costs and elevated debt service costs. While the borough realized a positive operating result in fiscal 2024, unaudited fiscal 2025 results show its fund balance declined to roughly \$345,000 (approximately 5.6% of revenues) from roughly \$539,000 (approximately 9.1% of revenues) in fiscal 2024. We note that this decline is attributable to a change in the borough's property tax collection system, which resulted in collections that were roughly \$100,000 less than budgeted. Further, in fiscal 2025, the borough used tax revenues from cannabis dispensaries within its borders to help balance the budget. As a result, any excess revenues from taxes on the sale of cannabis were not used to replenish the fund balance. While management does expect cannabis revenues will aid in regenerating fund balance in the future, we note that

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cannabis tax revenues may be subject to greater volatility than other tax sources, reflecting the industry's regulatory uncertainty and changing market dynamics.

The borough expects its fiscal 2026 fund balance will build up to roughly \$450,000 as a result of cost-cutting measures, shared services, and a change to its health and benefits plan. The borough has terminated one full-time staff position as part of its fiscal 2026 budget and could cut another position for cost savings. The borough also changed its health insurance policy in fiscal 2026, moving employees to a high-deductible plan, which management expects will keep costs flat. The borough further expects that its property tax collection system will be corrected in fiscal 2026, allowing it to realize an approximately 99% collection rate, which is in line with historical averages. While the borough has not begun drafting its fiscal 2027 budget, we expect it will incrementally increase its fund balance in future fiscal years by levying taxes up to the 2% cap and by exploring different ways to cut expenditures while increasing revenue growth. However, we believe fund balance levels will likely remain significantly lower than those of similarly rated peers.

The rating further reflects our view of the following factors:

- The borough has a largely residential population (90% of assessed value), with median incomes that are in line with county and national averages. It is located about eight miles from Philadelphia, offering residents diverse employment opportunities. While the borough is mostly built out, management anticipates that a mixed-use development that includes apartment units and commercial space will be developed in fiscal 2028.
- The borough's recent history of deteriorating finances is due to increased expenses outpacing revenue growth, as well as to property tax collections coming in under budget. Officials expect that fiscal 2026 fund balances will build back up to roughly \$450,000 owing to increased property tax collections, cost savings through terminations, and a switch to a high-deductible health insurance plan for employees. We view the borough's fund balance as low on a nominal basis, which we account for in our analysis.
- The borough looks at historical trends when formulating the budget and provides the board with quarterly reports of budget-to-actual performance. It maintains a capital improvement plan that goes out three years and is updated annually but does not maintain a long-term financial plan. In our view, the lack of well-embedded long-range financial plans renders the borough particularly vulnerable to unexpected external shifts. The borough lacks a debt management policy and a fund balance policy but adheres to an investment policy that mirrors state guidelines. Management is taking steps to mitigate cyber risk.
- The borough has no plans to issue additional debt in the near term. Combined fixed costs are moderately elevated and per capita liabilities are manageable, in our view. The borough has approximately \$627,000 in self-supporting sewer debt. Somewhat elevated other-postemployment benefits (OPEB) liabilities increase per capita liabilities.
- 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 assessed the borough's environmental and social risks relative to its economy, management, financial measures, and debt-and-liability profile and determined them to be neutral in our credit rating analysis. We consider New Jersey's governance of its pension plans and lack of mechanism to prefund OPEBs as a weakness for the state's local governments that we reflect in our analysis.

Outlook

The negative outlook reflects at least a one-in-three chance of a negative rating action during the next two years should financial performance deteriorate due to structural budgetary imbalances, resulting in a sustained decline in reserves.

Downside scenario

We could lower the rating if net performance or reserves deteriorate further, resulting in weakened budgetary flexibility and liquidity.

Upside scenario

We could revise the outlook to stable if corrective actions lead to improved financial performance and reserves materially increase over a multiyear period such that the borough's reserves are commensurate with those of similarly rated peers.

Merchantville Borough, New Jersey--Credit summary

| | |
|---------------------------------|------|
| Institutional framework (IF) | 2 |
| Individual credit profile (ICP) | 3.48 |
| Economy | 3.5 |
| Financial performance | 3 |
| Reserves and liquidity | 5 |
| Management | 2.65 |
| Debt and liabilities | 3.25 |

Merchantville Borough, New Jersey--Key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|--|-------------|---------|---------|---------|
| Economy | | | | |
| Real GCP per capita % of U.S. | -- | 75 | 75 | 76 |
| County PCPI % of U.S. | -- | 93 | 93 | 93 |
| Market value (\$000s) | -- | 372,744 | 341,004 | 307,495 |
| Market value per capita (\$) | -- | 97,730 | 89,880 | 80,328 |
| Top 10 taxpayers % of taxable value | -- | 6.1 | -- | -- |
| County unemployment rate (%) | -- | 5.1 | 4.8 | 4.2 |
| Local median household EBI % of U.S. | -- | 104 | 111 | 112 |
| Local per capita EBI % of U.S. | -- | 106 | 115 | 116 |
| Local population | -- | 3,814 | 3,794 | 3,828 |
| Financial performance | | | | |
| Operating fund revenues (\$000s) | -- | 5,899 | 5,920 | 5,545 |
| Operating fund expenditures (\$000s) | -- | 5,874 | 6,000 | 5,595 |
| Net transfers and other adjustments (\$000s) | -- | 5 | -- | 31 |
| Operating result (\$000s) | -- | 30 | (80) | (19) |
| Operating result % of revenues | -- | 0.5 | (1.4) | (0.3) |
| Operating result three-year average % | -- | (0.4) | (1.5) | 0.9 |

Merchantville Borough, New Jersey--Key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|--|-------------|-------|-------|-------|
| Reserves and liquidity | | | | |
| Available reserves % of operating revenues | -- | 9.1 | 8.6 | 10.6 |
| Available reserves (\$000s) | -- | 539 | 509 | 590 |
| Debt and liabilities | | | | |
| Debt service cost % of revenues | -- | 15.2 | 10.7 | 9.4 |
| Net direct debt per capita (\$) | 1,575 | 1,562 | 1,889 | 1,353 |
| Net direct debt (\$000s) | 6,007 | 5,959 | 7,168 | 5,180 |
| Direct debt 10-year amortization (%) | 72 | 29 | 31 | 52 |
| Pension and OPEB cost % of revenues | -- | 12.0 | 12.0 | 12.0 |
| NPLs per capita (\$) | -- | 1,123 | 1,142 | 1,279 |
| Combined NPLs (\$000s) | -- | 4,282 | 4,333 | 4,896 |

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\$4,813,000 Borough of Merchantville, County of Camden, New Jersey, General Obligation Bonds, Series 2026, dated: Date of Delivery, due: May 15, 2039

Long Term Rating A+/Negative

Outlook Action

| | To | From |
|--|----|------|
|--|----|------|

Local Government

| | | |
|---|-------------|-----------|
| Merchantville Boro, NJ Unlimited Tax General Obligation | A+/Negative | A+/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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Merchantville Borough, NJ GO Debt Rating Outlook Revised To Negative On Reserve Declines

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