

Research Update:

Montclair Township, NJ Series 2026 Bond Anticipation Notes Rated 'SP-1+'; GO Bond Rating Affirmed At 'AAA'

June 22, 2026

Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to **Montclair Township**, New Jersey's \$7.7 million series 2026 bond anticipation notes (BANs) and \$10.7 million series 2026 (federally taxable) BANs.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the township's existing general obligation (GO) bonds.
- The outlook, where applicable, is stable.

Rationale

Security

The township's full faith and credit pledge secures the bonds and BANs. The short-term rating reflects our criteria for evaluating and rating BANs. Montclair maintains a very strong capacity to make principal and interest payments when BANs come due. The township has a low market risk profile as a result of its strong legal authority to issue long-term debt to retire the BANs and its status as a frequent issuer that provides regular disclosure to market participants.

Montclair will use BAN proceeds to fund various capital projects for the township.

The New Jersey Fund for the Support of Free Public Schools program provides additional bond security for the bonds previously issued for the school. The program pledges a portion of a state fund's assets for a school district's debt service should it be unable to meet principal and interest payments.

Credit highlights

The 'AAA' rating reflects Montclair's affluent and growing economic base, with a robust reserve position, despite recent draws. We expect additional tax base growth as residential and commercial projects are underway, which will support continued growth of property taxes, the township's main revenue source (72% of budget). Elevated fixed costs and a trend of negative

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operations are pressuring credit quality; however, management continues to implement opportunities for expenditures savings.

Based on the unaudited fiscal 2025 results, the township did not fully regenerate its appropriated surplus. Certain revenues came in slightly above budgeted levels but expenditures outpaced revenues. The township has a new management team that examined and tightened its expenditure budget. Additionally, the township left the state health benefit plan, resulting in savings in healthcare costs. We expect Montclair will incrementally increase its fund balance in future fiscal years by levying taxes up to the 2% cap, exploring different ways to cut expenditures while increasing revenue growth through payment in lieu of taxes, and expanding its tax base. The township is also issuing a tax anticipation note (TAN) in conjunction with the other short-term debt. Montclair school district voters approved a \$12.6 million tax increase, beginning July 1, for the district's 2027 fiscal year. As the school district operates with a different fiscal year-end than the township, the township is issuing the TANs to cover the first six months of the increased tax receipts required for the school district. The township is not experiencing liquidity issues, and the TANs are the result of a timing difference between the school's and the township's fiscal year-ends.

After this issuance, Montclair will have about \$73.8 million in debt outstanding, with a portion of this debt deemed self-supporting. Although the township's debt amortizes rapidly, which we view as a credit positive, its elevated pension and other postemployment benefit (OPEB) costs negatively affect our view of its growing debt and liability burden.

The rating also reflects the following factors:

- Montclair has an affluent residential tax base, with proximity to New York City. While Essex County's economic metrics are in line with national averages, Montclair's local income metrics are substantially better than those of national peers and in line with those of county peers, reflecting the strength of its economic base.
- The township engages in conservative budgeting practices, with regular monitoring and reporting to its governing body. Management maintains a capital improvement plan, which it updates annually as part of the budget process, although financing sources are not included for all projects. Previously, management maintained a financial forecast, which may reimplement in future years. The township has adopted a cash management plan. Montclair adopted a resolution to reduce debt outstanding and maintain reserves at a level sufficient to prevent tax rate fluctuations, and has a goal to maintain reserves equal to two months of operating expenses. Cyber risk mitigation measures align with our view of its overall risk management policies and practices.
- The fiscal 2026 adopted budget is \$106.8 million, with an appropriated fund balance of \$7 million, which is slightly less than that of the previous year. Management reports budget to actuals are trending in line with expectations.
- Elevated fixed costs have remained stable on a percentage basis, and we expect future debt issuances will match paydowns. Debt and unfunded retirement liabilities total about 1.07% of total market value, supporting general affordability for the tax base.
- Pension and OPEB costs influence our view of its elevated debt and liability burden. Montclair's combined proportionate share of the net pension liability for both the Police and Firemen's Retirement System and the Public Employees' Retirement System totaled about \$97 million in fiscal 2024. However, its OPEB liability, is sizable, and grew to \$47 million in fiscal 2024. The township has limited ability to control future growth given state restrictions on its ability to prefund. (For more details, see "[Pension Spotlight: New Jersey](#)," Oct. 9, 2025.)

- The operating environment for New Jersey local governments is generally predictable and stable. (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 township's environmental, social, and governance factors relative to its economy, management, financial measures, and debt and liability profile and consider them 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, although the township's OPEB liability and associated expenses are fully covered by the state.

Rating above the sovereign

Montclair's GO bonds are eligible to be rated above the sovereign because we believe the township can maintain better credit characteristics than the U.S. 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 predominately locally derived revenue source, with governmental activity revenue derived from local sources and independent taxing authority and independent treasury management from the federal government.

Outlook

The stable outlook reflects our expectation that the township's fiscal 2025 reserve levels will likely be a low point, as management looks to stabilize and rebuild its reserve position. Ongoing developments within the township, coupled with its affluent tax base, further support our view.

Downside scenario

If the township were to continue to draw on reserves to levels no longer consistent with those of peers due to elevated fixed or other costs without a timely plan to restore them, we could lower the rating.

Montclair Township, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.96
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.30
Debt and liabilities	3.50

Montclair Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	101	102	103
County PCPI % of U.S.	--	113	114	115

Montclair Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Market value (\$000s)	--	11,666,757	10,718,942	9,833,996
Market value per capita (\$)	--	291,691	263,255	249,353
Top 10 taxpayers % of taxable value	--	1.6	--	1.7
County unemployment rate (%)	--	5.6	5.2	4.5
Local median household EBI % of U.S.	--	186	182	173
Local per capita EBI % of U.S.	--	194	191	203
Local population	--	39,997	40,717	39,438
Financial performance				
Operating fund revenues (\$000s)	--	102,803	98,187	97,026
Operating fund expenditures (\$000s)	--	103,769	98,688	92,351
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	(966)	(501)	4,675
Operating result % of revenues	--	(0.9)	(0.5)	4.8
Operating result three-year average %	--	1.1	0.8	0.5
Reserves and liquidity				
Available reserves % of operating revenues	--	16.8	18.6	19.3
Available reserves (\$000s)	--	17,259	18,225	18,727
Debt and liabilities				
Debt service cost % of revenues	--	10.5	10.9	10.2
Net direct debt per capita (\$)	1,689	1,453	1,474	1,792
Net direct debt (\$000s)	67,555	58,098	60,008	70,668
Direct debt 10-year amortization (%)	93	92	92	--
Pension and OPEB cost % of revenues	--	10.0	10.0	9.0
NPLs per capita (\$)	--	2,085	2,195	2,376
Combined NPLs (\$000s)	--	83,379	89,376	93,709

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\$10.747 mil taxable BANs ser 2026 due 07/13/2027

Short Term Rating SP-1+

US\$7.744 mil tax-exempt BANs ser 2026 due 07/13/2027

Short Term Rating SP-1+

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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