

Research Update:

Mountain Lakes Borough, NJ Series 2026 GO Bonds Assigned 'AAA' Rating

June 30, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long term rating to **Mountain Lakes Borough**, New Jersey's \$7.9 million series 2026 general obligation (GO) bonds.
- At the same time, we affirmed our 'AAA' rating on the borough's outstanding GO bonds.
- The outlook is stable.

Rationale

Security

The borough's full-faith-and-credit pledge and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the bonds. Bond proceeds will be used to permanently finance the borough's outstanding bond anticipation notes.

Credit highlights

The rating reflects our view of the borough's very strong and stable economy, along with several formalized financial policies and practices that have helped it maintain stable financial operations.

Mountain Lakes has a history of positive year-end results, including in three of the last four years. Management closely monitors expenses while conservatively budgeting revenues. The latest quarterly budget state report indicates year-to-date results are tracking favorably; therefore, we expect the borough's positive financial trend will continue. Similar to most other New Jersey municipalities, the borough appropriates a portion of fund balance (averaging about 55% of the total surplus balance) in the annual budget as part of its typical budgeting practices but has historically fully replenished the appropriation.

After this issuance, the borough has \$19.1 million in outstanding debt. Future debt plans are limited, at roughly \$1.0 million a year, which we do not view as material.

The rating also reflects our view of the following:

- The borough's location in Morris County, with direct access to the broader New York City area, contributes to the county's elevated economic output and income metrics. Mountain Lakes is

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affluent, providing uplift to the rating. As it is primarily built out, the borough is not anticipating significant economic developments, but a few developments are underway. We expect the borough to experience continued tax base appreciation.

- Management uses a combination of historical trend analysis and zero-based budgeting for budget preparation. Budget-to-actuals are monitored frequently with broader reporting done quarterly. Long-term financial planning is currently performed through cash flow analysis and use of the 10-year capital improvement plan with clear assumptions. The borough does not have a formal debt policy, but has adopted a cash management plan, and follows state law for investments. The borough currently targets available fund balance in the range of 7.5%-10%. The borough has taken steps to mitigate cybersecurity risk.
- Positive performance in recent years is driven by revenue growth. Management would like to maintain at least \$3 million in reserves, above a level we consider nominally low. We note the borough may elect to draw down on reserves to offset larger tax increases, but overall we expect performance will remain balanced. Its adopted 2026 budget is \$11.8 million with an appropriated fund balance of \$2.1 million.
- The debt and liability profile is slightly elevated, but consistent those of other New Jersey municipalities.
- The borough'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 \$5.5 million in fiscal 2025. Its other postemployment benefits liability, however, is limited given the number of retirees receiving benefits. The borough has limited ability to control future growth given state restrictions on its ability to prefund liabilities. (For more details, see "[Pension Spotlight: New Jersey](#)," Oct. 9, 2025.)
- The borough has generally predictable operating framework and some statutory flexibility to raise local-source revenue, despite the state's property tax cap, similar to New Jersey municipalities in general. 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 view the borough's environmental and social factors as credit neutral within our analysis. However, we view the state's governance of pension plans, particularly the lack of funding discipline, as a risk for New Jersey local governments, based on the potential for contribution cost increases.

Rating above the sovereign

Mountain Lakes Borough is eligible for a higher rating than the sovereign because we think the borough can maintain strong credit characteristics relative to the nation in a stress scenario. Under our criteria, titled "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, the borough has predominantly locally derived revenue with independent taxing authority and treasury management from the federal government.

Outlook

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The stable outlook reflects our expectation that the borough will maintain positive year-end results, bolstered by an appreciating tax base in addition to tax base development.

Downside scenario

We could lower the rating if the borough were to experience unanticipated negative financial operations and reserves decreased to levels no longer commensurate with the current rating.

Mountain Lakes Borough, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.94
Economy	1
Financial performance	2
Reserves and liquidity	1
Management	1.95
Debt and liabilities	3.75

Mountain Lakes Borough, New Jersey--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	170	173
County PCPI % of U.S.	--	--	163	164
Market value (\$000s)	--	1,885,455	1,805,129	1,594,076
Market value per capita (\$)	--	410,954	393,446	354,712
Top 10 taxpayers % of taxable value	--	--	4.9	5.3
County unemployment rate (%)	--	4.4	3.8	3.5
Local median household EBI % of U.S.	--	--	334	289
Local per capita EBI % of U.S.	--	--	227	217
Local population	--	--	4,588	4,494
Financial performance				
Operating fund revenues (\$000s)	--	11,121	9,577	9,571
Operating fund expenditures (\$000s)	--	11,003	9,503	10,036
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	118	74	(465)
Operating result % of revenues	--	1.1	0.8	(4.9)
Operating result three-year average %	--	(1.0)	0.9	4.5
Reserves and liquidity				
Available reserves % of operating revenues	--	34.6	39	38.3
Available reserves (\$000s)	--	3,853	3,736	3,661
Debt and liabilities				
Debt service cost % of revenues	--	14.9	14.4	11
Net direct debt per capita (\$)	4,174	3,822	3,784	3,127
Net direct debt (\$000s)	19,149	17,534	17,362	14,053
Direct debt 10-year amortization (%)	58	39	40	--

Mountain Lakes Borough, New Jersey--key credit metrics

	Most recent	2025	2024	2023
Pension and OPEB cost % of revenues	--	6	7	8
NPLs per capita (\$)	--	1,211	1,211	1,431
Combined NPLs (\$000s)	--	5,554	5,554	6,433

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\$7,950,000 The Borough of Mountain Lakes, in the County of Morris, New Jersey, General Bonds of 2026, dated: Date of delivery, due: July 15, 2041

Long Term Rating AAA/Stable

Ratings Affirmed

Local Government

Mountain Lakes, 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.

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