

Research Update:

Garwood Borough, NJ Series 2026 GO General Improvement Bonds Assigned 'AA' Rating; Outlook Stable

April 7, 2026

Overview

- S&P Global Ratings assigned its 'AA' rating to Garwood Borough, N.J.'s \$6.4 million general obligation (GO) general improvement bonds, series 2026.
- The outlook is stable.

Rationale

Security

The borough's full-faith-and-credit pledge, payable from ad valorem property taxes levied on all taxable property within Garwood, without limitation as to rate or amount, secures the series 2026 bonds.

Officials plan to use bond proceeds to permanently fund bond anticipation notes as well as to provide roughly \$38,000 of new money for various capital improvements.

Credit highlights

The borough's general creditworthiness is highlighted by its affluent, built-out, and heavily residential tax base and location just 20 miles west of New York City. The borough has seen strong growth based on price appreciation and renovation projects, resulting in steady property tax revenues over the last decade. Garwood's creditworthiness is also supported by a history of balanced financial operations and relatively stable reserves, which although below-average relative to those of similarly rated peers, have been stable, averaging between 12%-15% of revenue over the last five years. Nonetheless, rising pension and other postemployment benefits (OPEB) costs could challenge the borough's budget and reserves, particularly if revenue pressures arise, given the size of the liabilities. Ultimately, we believe management will continue to budget conservatively, making expenditure adjustments as necessary to maintain break-even operations, thus maintaining stable financial operations.

Officials attribute fiscal 2024's positive financial results primarily to higher-than-budgeted revenues coupled with lower-than-budgeted expenditures across various departments.

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According to management, the borough ended fiscal 2025 with another solid year, with revenues and expenses showing positive variances relative to budget, due primarily to conservative budgeting and the use of shared services to control costs. In addition, the borough implemented a new residential sewer fee that flows through the current fund and adds at least \$200,000 annually to revenues. As a result, at year-end the borough increased reserves by a little more than 200,000 to \$1.93 million, or about 16% of expenses based on unaudited actuals. The borough also maintains levy cap bank totaling \$528,068 for fiscal 2026, although there are currently no plans to tap into it. Property taxes are the borough's primary source of revenue, accounting for nearly 70% of current fund revenue.

Following this issuance, the borough's sole debt will be the series 2026 GO bonds outstanding (\$6.4 million), as the series 2015 bonds recently matured. The series 2026 bonds are scheduled to be repaid within 10 years, which we view as rapid. In addition, we understand the borough's capital needs over the next few years are limited to road projects and equipment purchases, with no specific plans at this time to issue additional debt. As a result, we expect the borough's debt and liability profile to remain affordable.

Additional rating factors include our view of the following:

- The borough is a suburban, residential community in Union County located approximately 20 miles from the Lincoln Tunnel and New York City's robust economy, which we consider a credit strength.
- Historically balanced financial operations and maintenance of stable reserves, including a slight surplus of just over \$200,000 based on fiscal 2025 unaudited actuals. Going forward, the borough expects to maintain balanced operations and stable reserves.
- Realistic budgets, with monthly monitoring, maintenance of a rolling five-year capital improvement plan that it updates annually, and an informal reserve target of at least 8% of current fund expenses.
- Debt and retirement liabilities are moderately low, although with somewhat elevated retirement costs. The borough's combined proportionate share of the net pension liability for both Police and Firemen's Retirement System and the Public Employees' Retirement System was about \$6.4 million in fiscal 2024. Its OPEB liability totaled about \$10.5 million, weakening our view of the borough's overall liability profile.
- 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, social, and governance factors relative to the borough's economy, management, financial measures, and debt-and-liability profile; we view these factors as neutral within our credit analysis.

Outlook

The stable outlook reflects our opinion that Garwood's highly desirable, affluent residential tax base will continue to lend stability to the borough's financial operations and that management will maintain sound financial operations through conservative budgeting and the use of shared services.

Downside scenario

We could lower the rating if the borough were to experience financial pressure resulting in budgetary imbalances or material reserve decreases such that reserves, either on a nominal or percentage basis, are no longer comparable to those of peers at the rating level. The rating could also be pressured if the borough were to experience a notable slowdown or weakening in its local economy.

Upside scenario

While upward rating potential is limited at this time given reserves are nominally thin and below those of similarly rated peers, we could raise the rating if management were to materially build reserves.

Garwood Borough, New Jersey--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.23
Economy	1.5
Financial performance	2
Reserves and liquidity	2
Management	2.65
Debt and liabilities	3.0

Garwood Borough, New Jersey--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	102	103	103
County PCPI % of U.S.	--	116	117	117
Market value (\$000s)	--	919,614	778,413	745,228
Market value per capita (\$)	--	188,022	175,200	161,096
Top 10 taxpayers % of taxable value	--	13.6	13.6	13.7
County unemployment rate (%)	--	4.8	4.5	4.0
Local median household EBI % of U.S.	--	137	136	138
Local per capita EBI % of U.S.	--	151	136	137
Local population	--	4,891	4,443	4,626
Financial performance				
Operating fund revenues (\$000s)	--	11,160	9,589	9,551
Operating fund expenditures (\$000s)	--	10,578	9,932	9,146
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	582	(343)	405
Operating result % of revenues	--	5.2	(3.6)	4.2
Operating result three-year average %	--	2.0	0.8	2.4
Reserves and liquidity				
Available reserves % of operating revenues	16.3	15.5	11.9	15.5
Available reserves (\$000s)	1,939	1,725	1,142	1,484

Garwood Borough, New Jersey--Key credit metrics

	Most recent	2024	2023	2022
Debt and liabilities				
Debt service cost % of revenues	--	7.7	7.8	6.0
Net direct debt per capita (\$)	1,412	1,437	1,555	1,508
Net direct debt (\$000s)	6,907	7,029	6,911	6,977
Direct debt 10-year amortization (%)	100	13	18	23
Pension and OPEB cost % of revenues	--	10.0	9.0	12.0
NPLs per capita (\$)	--	1,322	1,694	1,759
Combined NPLs (\$000s)	--	6,466	7,525	8,136

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\$6,365,000 Borough of Garwood, In the County of Union, New Jersey, General Improvement Bonds, dated: Date of Delivery, due: May 1, 2036

Long Term Rating AA/Stable

New Rating

Local Government

Garwood Boro, NJ Unlimited Tax General Obligation AA/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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