Research Update:

Washington Township, NJ Series 2026 General Improvement Bonds Assigned 'AA' Rating; Outlook Stable

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Overview

- S&P Global Ratings assigned its ‘AA' rating to Washington Township (Morris County), New Jersey's $10.796 million 2026 general improvement bonds.
- The outlook is stable.

Rationale

Security

The township's full faith-and-credit general obligation (GO) pledge and requirement to levy ad valorem property taxes to pay debt service unless paid from other sources, without limitation as to rate or amount, secures the bonds.

Proceeds will be used to, together with other funds to fully refund the township's $9.289 million bond anticipation notes (BANs) scheduled to mature Aug. 21, 2026, and approximately $2.7 million will be used to finance various unfunded capital projects for the township.

Credit highlights

The rating reflects our view of the township’s trend of balanced operations, robust reserve position, very strong economic profile supported by incomes above national levels, sound budgeting, albeit with limited formalized financial policies and practices, manageable fixed costs profile consisting of quickly amortizing debt, and a combined pension and other postemployment benefits (OPEB) liability that is sizable relative to its population.

The township is a large semirural residential community with considerable open space and farmland located on the outskirts of the Newark and New York urban centers and has seen increased development over the last few years. Its stable tax base has supported its balanced operations over the last four fiscal years, which have all posted surplus results, strengthening reserves to over a quarter of general fund revenues. Fiscal 2024 saw a notable increase in reserves as the township sold a large tax-delinquent brownfield property for $2.4 million. Despite that substantial one-time boost, the township expects to maintain reserves strength through maximizing its ability to increase tax rates up to the 2% maximum and, when applicable, above it, which it has routinely done. Although we expect growth in the township’s revenues because of taxbase growth, it faces growing cost pressures, as with much of the state of New Jersey, including sharp healthcare costs increases and wage growth. Management has taken measures to help manage costs, such as joining a regional governmental health insurance fund and maintaining strong relationships with its labor unions; however, we view these as pressures for the township’s finances over the next two years. The township has budgeted for and expects balanced operations through fiscal 2026, and we view it as having substantial reserves and liquidity to offset some of the pressure. At the same time, we view the township's lack of formal policies as a credit risk given its autonomy to close budgetary gaps with reserves without practical levers to replenish funds quickly.

The rating also reflects our view of the township’s:

- Very strong economic profile, particularly as it pertains to incomes and economic output metrics for the county, which are both over 150% of national levels. The township is a largely residential community that has seen some development and benefits from its proximity to the greater New York City metropolitan area.
- Positive net operating performance despite rising cost pressures; replenishment of appropriated fund balance; and maintenance of reserves at a robust level, somewhat bolstered by a recent one-time property sale.
- Budget assumptions are realistic and revenue and expenditure trends have historically been conservative, with sufficient monitoring, including the reporting of liquid cash investments to the governing body. A formal six-year capital improvement plan that identifies costs and some funding sources is updated annually. The township follows state guidelines for investments and debt but does not hold a formal policy as it pertains to debt or minimum fund balances. We view the township's cyber risk mitigation measures as consistent with our view of its credit fundamentals.
- Moderately high fixed costs, partially due to a rapidly amortizing debt schedule, coupled with manageable debt and pension liabilities per capita, although OPEB liabilities are elevated and contributions have not materially improved long-term liabilities, especially as costs grow; however, the township has achieved savings from its participation in its regional healthcare fund, which is less costly than the state plan alternative.
- Climate risks are fairly neutral for the township. Although it is located near the Atlantic Coast, it does not face direct exposure to hurricanes and is not especially susceptible to coastal and inland flooding.
- For more on the institutional framework score for New Jersey municipalities, see “Institutional Framework Assessment: New Jersey Local Governments,” Sept. 9, 2024.

Outlook

The stable outlook reflects our view of the township's trend of balanced operations that we expect to continue over the next couple of years as it manages growing costs through its leveraging of allowable increases in tax rates and growth in its revenue-generating taxbase.

Downside scenario

We could lower the rating if the township were to see material fund balance deterioration due to cost growth or other reasons, without a recurring revenue to offset the decline.

Upside scenario

We could raise the rating if the township were to see a continued strengthening of its reserves and if its financial management practices and policies improve to a level comparable with that of higher-rated peers.

Washington Township, New Jersey--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.83
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.65
Debt and liabilities	2.50

Washington Township, 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 ($000s)	--	4,120,872	3,498,873	3,486,343
Market value per capita ($)	--	228,975	194,414	192,201
Top 10 taxpayers % of taxable value	--	3.4	3.5	3.3
County unemployment rate (%)	--	4.4	3.8	3.5
Local median household EBI % of U.S.	--	--	188	199
Local per capita EBI % of U.S.	--	--	176	183
Local population	--	--	17,997	18,139
Financial performance				
Operating fund revenues ($000s)	--	19,995	22,652	19,697
Operating fund expenditures ($000s)	--	19,903	20,248	19,308
Net transfers and other adjustments ($000s)	--	--	--	--
Operating result ($000s)	--	92	2,404	389
Operating result % of revenues	--	0.5	10.6	2.0
Operating result three-year average %	--	4.3	3.6	0.2
Reserves and liquidity				
Available reserves % of operating revenues	--	27.8	24.1	15.5
Available reserves ($000s)	--	5,557	5,464	3,061
Debt and liabilities				
Debt service cost % of revenues	--	6.9	5.8	6.1
Net direct debt per capita ($)	664	567	512	475
Net direct debt ($000s)	11,946	10,204	9,215	8,619

Washington Township, New Jersey--Key credit metrics

	Most recent	2025	2024	2023
Direct debt 10-year amortization (%)	89	9	20	31
Pension and OPEB cost % of revenues	--	9.0	9.0	9.0
NPLs per capita ($)	--	812	812	981
Combined NPLs ($000s)	--	14,608	14,608	17,791

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$10,796,000 Township of Washington in the County of Morris, New Jersey, General Improvement Bonds, Series 2026, dated: Date of Delivery, due: August 15, 2036	
Long Term Rating	AA/Stable
New Rating	
Local Government	
Washington Twp (Morris Cnty), 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.

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.