Research Update:

West Caldwell Township, NJ Series 2026 Bond Anticipation Notes Rated 'SP-1+'

August 10, 2026

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Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to West Caldwell Township, New Jersey's approximately $24.5 million series 2026 bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'SP-1+' short-term rating on the township's existing BANs.
- S&P Global Ratings also affirmed its 'AA+' long-term rating on the township's general obligation (GO) debt.
- The outlook on the long-term rating is stable.

Rationale

Security

West Caldwell's full faith and credit pledge secures the notes.

The short-term rating reflects our criteria for evaluating and rating BANs. The township maintains a very strong capacity to make principal and interest payments when the BANs come due. We view West Caldwell's market risk profile as low because the township has strong legal authority to issue long-term debt to take out the BANs and because it is a frequent debt issuer that regularly provides ongoing disclosure to market participants.

Officials intend to use series 2026 BAN proceeds to renew existing BANs and fund various capital projects.

Credit highlights

The rating reflects our view of West Caldwell's strong reserve position, which it has maintained over the past few years through balanced operations. We expect the township's wealthy tax base, high incomes, realistic budget assumptions, and levy cap bank flexibility will continue to support balanced financial performance. At the same time, these strengths are offset by the township's high debt and retirement liabilities on a per-capita basis and above-average fixed costs, which currently constrain credit quality.

We expect West Caldwell's operations will remain balanced, enabling it to maintain the sizable reserve position. The township ended fiscal 2025 with a nearly breakeven operating result (0.1% surplus). Significant expenditure savings to budget on group health insurance, utilities, and various operating costs offset budgeted use of fund balance and under budget interest income. The adopted fiscal 2026 budget totals $27.0 million (4.7% increase) and raises the tax levy by 7.4% to fund overall expenditure growth. Officials indicate budget to actuals are tracking favorably and expect to end the year with at least balanced results. At a minimum, the township expects to replenish the $2.3 million in the fund balance that it appropriated for the fiscal 2025 budget. Management does not anticipate any significant changes to the budget over the next couple of years, and West Caldwell maintains $991,190 in levy cap bank that affords it some revenue-raising flexibility to address any rising costs over the next few years. While the township's reserves significantly exceed its $3 million to $5 million informal target, West Caldwell does not have any plans to draw down on reserves and expects they will remain at about current levels.

With this issuance, West Caldwell will have about $51.9 million in total direct debt, with some of this debt consisting of self-supported utility debt. The township plans to issue about $3 million in additional debt annually, although we don't expect this will have a material effect on its debt burden. However, we expect fixed costs, which include pension and other postemployment benefit (OPEB) costs, will remain a long-term credit pressure due to large liabilities relative to the budget and on a per-capita basis, and costs that could escalate due to low funded ratios for its retirement plans.

The rating further reflects the following factors:

- West Caldwell is a small, wealthy township about 25 miles west of New York City, which provides it with direct access to employment opportunities throughout the greater North New Jersey and New York City regions. There are a few developments underway in the township, including new residential complexes and redevelopment of an old warehouse. The township expects these and other projects will contribute to tax base growth. The township's high incomes significantly exceed those of other Essex County communities and the U.S. average.
- We expect historically stable budgetary performance will continue in fiscal 2026, and has resulted in continued reserve improvement supported by a strong revenue base and conservative budgeting practices. The township's reserve levels are also commensurate with those of similarly rated peers. The township's current fund revenues are primarily derived from property taxes, which make up about 71% of total revenue. The stronger-than-typical fiscal 2024 operating results were enhanced by one-time nonrecurring revenue of about $1 million from the sale of a township property to support a Shoprite project.
- Conservative and forward-looking budgeting practices include monthly reporting of budget-to-actual results, a multiyear revenue and expenditure forecast, and a six-year capital improvement plan. The township also has a formal investment policy and an informal reserve policy of maintaining a fund balance of $3 million to $5 million after the appropriation of the fund balance in the budget. West Caldwell has taken steps to mitigate cyber risk but does not have a formal debt policy.
- The township has high fixed costs and large retirement liabilities; combined pension and OPEB liabilities total about $69 million as of fiscal 2025 for participating pension plans, administered by New Jersey, which could lead to budget pressure. For more, see "Pension Spotlight: New Jersey," October 9, 2025.

- Although physical risks are relevant for the local government sector, we consider West Caldwell's exposure to nature hazards low compared with that of national peers and in a nominal sense; therefore it is not a material factor in our credit analysis.
- For more information on our institutional framework assessment for New Jersey municipalities, see "Institutional Framework Assessment: New Jersey Governments," Sept. 9, 2024.

Outlook

The stable outlook reflects S&P Global Ratings' view that West Caldwell's strong local economy, healthy reserves, and balanced operating performance will continue over the next couple of years.

Downside scenario

We could lower the rating if the township's finances were pressured, whether due to increasing long-term liability costs or if management cannot replenish appropriated reserves, resulting in a substantial decrease in available reserves.

Upside scenario

We could raise the rating if debt, retirement liabilities, and associated costs were to decrease and management were to maintain reserves at least at current levels through balanced operations. Implementation of more formalized financial management policies would also be a consideration for a higher rating.

West Caldwell Township, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.26
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.30
Debt and liabilities	5.00

West Caldwell Township, New Jersey--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	100	101
County PCPI % of U.S.	--	--	112	113
Market value ($000s)	--	3,783,513	2,955,349	2,950,379
Market value per capita ($)	--	354,826	276,149	271,349
Top 10 taxpayers % of taxable value	--	13.7	14.3	14.3
County unemployment rate (%)	--	6.3	5.6	5.2
Local median household EBI % of U.S.	--	173	176	176
Local per capita EBI % of U.S.	--	159	174	169

West Caldwell Township, New Jersey--key credit metrics

	Most recent	2025	2024	2023
Local population	--	10,663	10,702	10,873
Financial performance				
Operating fund revenues ($000s)	--	24,988	27,372	23,436
Operating fund expenditures ($000s)	--	24,969	24,922	23,619
Net transfers and other adjustments ($000s)	--	--	--	--
Operating result ($000s)	--	19	2,450	(183)
Operating result % of revenues	--	0.1	9.0	(0.8)
Operating result three-year average %	--	2.7	4.1	3.2
Reserves and liquidity				
Available reserves % of operating revenues	--	38.8	35.4	30.9
Available reserves ($000s)	--	9,700	9,681	7,231
Debt and liabilities				
Debt service cost % of revenues	--	13.7	12.5	11.8
Net direct debt per capita ($)	4,872	3,998	3,850	3,885
Net direct debt ($000s)	51,945	42,634	41,205	42,247
Direct debt 10-year amortization (%)	81	52	56	57
Pension and OPEB cost % of revenues	--	14.0	13.0	14.0
NPLs per capita ($)	--	1,297	1,353	1,596
Combined NPLs ($000s)	--	13,834	14,482	17,352

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$24.494 mil BANs ser 2026 dtd 09/01/2026 due 09/01/2027	
Short Term Rating	SP-1+
Ratings Affirmed	
Local Government	
West Caldwell Twp, NJ Unlimited Tax General Obligation	AA+/Stable
West Caldwell Twp, NJ Unlimited Tax General Obligation BAN	SP-1+

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.