Research Update:

Little Falls, NJ Series 2026 Bond Anticipation Notes Rated 'SP-1+'

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Overview

- S&P Global Ratings has assigned its 'SP-1+' short-term rating to Little Falls, New Jersey's $15 million series 2026 bond anticipate notes (BANs).
- S&P Global Ratings has affirmed its 'AA' long-term rating on the township's existing general obligation (GO) debt.
- The outlook, where applicable, is negative.

Rationale

Security

The township's full faith and credit and revenue from an ad valorem property tax, without limitation as to rate or amount, secure its GO and BAN debt.

The short-term rating reflects our opinion of the township's general creditworthiness and low market risk profile. The short-term rating reflects our criteria for evaluating and rating BANs. In our view, the township has very strong capacity to pay principal and interest when the BANs come due. Little Falls has a low market risk profile because it has strong legal authority to issue long-term debt to take out the BANs and is a frequent issuer that regularly provides disclosure to market participants.

Credit highlights

The rating reflects our view of Little Falls' above-average wealth indicators and expectations of a stable local economy. The township's desirable location and overall affordability compared with surrounding communities has driven steady population along with residential developments. Results in recent years have been negative; however, with a new management team focused on strict budget control and monitoring, we expect the Little Falls will rebuild its reserve position to levels comparable with previous years.

The results for 2025 was negative, as expenditures outpaced revenues, with certain revenues not coming in at expected level. With the new management team, the budget for 2026 closely examined its revenue assumptions and tightened its expenditure budget. The fiscal 2026 budget is $28.5 million and includes a $2.3 million increase to its tax levy. The latest budget status report indicates that year-to-date results are tracking well relative to budget; therefore, we expect the township will likely maintain positive finances, rebuilding a portion of the reserve spent down last year. We believe Little Fall's consistent finances prior to fiscal 2024, supported by its affluent tax base, somewhat offset recent credit pressure stemming from a negative result and subsequent reduction in its available fund balance.

Little Falls has approximately $33.1 million in net direct debt outstanding. Debt could increase in the near term as the township works through its financing plans, but we do not expect the potential debt to materially weaken our view of the debt and liabilities, and we do not anticipate the debt pressuring finances as the amount will likely be outpaced or similar to amortization. While retirement costs could grow as a result of the aggressive state plan assumptions, pension and other postemployment benefit (OPEB) liabilities are manageable, in our view, given the low current costs and lack of OPEBs. The township does not offer retiree health care benefits, and this leaves it less exposed to health care cost swings relative to peers with large net OPEB liabilities. (For more information, see "Pension Spotlight: New Jersey," Oct. 9, 2025)

The 'AA' long-term rating reflects our view of Little Fall's:

- Stable local economy with income indicators that are above county and national averages and comparable with those of similarly rated peers. We also expect incremental growth in the tax base through redevelopment and escalation of home values, supported by residents' access to employment opportunities in New York City.
- Negative financial performance in fiscal 2025 that we expect to be resolved in fiscal 2026 and beyond through increasing property taxes and conservative budgeting.
- Budgetary assumptions and techniques generally consistent with those of other New Jersey municipalities, including the use of trend analysis when developing revenue and expenditure projections for the upcoming budget year and regular reporting on budget-to-actual performance. Officials maintain a six-year capital plan that is part of the state-mandated budget form, and a formal cash management plan that dictates investments and cash holdings. The township does not have a formal debt management policy, although it does have a formal reserve policy that maintains current fund balance at $900,000 to $2 million. Management is taking steps to mitigate cyber risk.
- Elevated fixed costs and low unfunded pension liabilities on a per capita basis. Retirement costs could increase over the long term, given aggressive plan assumptions and low funded ratios. The township participates in two state-run pension plans, with proportionate liabilities totaling $9.9 million (the Police and Firemen's Plan) and $4.7 million (the Public Employees Plan). It is in a special funding situation for its OPEBs, with the state recognizing the township's full liability and fully funding the annual costs.
- Institutional framework that we assess as in line with that of similarly rated peers. For more information on our institutional framework for New Jersey municipalities, see "Institutional Framework Assessment: New Jersey Local Governments," Sept. 9, 2024.

Outlook

The negative outlook reflects the one in three chance that the township is unable to maintain positive operations or rebuild its reserves.

Downside scenario

We could lower the rating if reserves are maintained at current levels or decrease even further.

Upside scenario

We could revise the outlook to stable if Little Falls operations were to rebound back to positive, leading to available reserves increasing to prior levels, holding all else constant.

Little Falls, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.78
Economy	2.5
Financial performance	3
Reserves and liquidity	3
Management	2.65
Debt and liabilities	2.75

Little Falls, New Jersey--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	63	63
County PCPI % of U.S.	--	--	84	85
Market value ($000s)	--	2,712,144	2,470,542	2,188,229
Market value per capita ($)	--	202,384	187,817	166,570
Top 10 taxpayers % of taxable value	--	11.1	11.2	--
County unemployment rate (%)	--	6.0	5.4	5.1
Local median household EBI % of U.S.	--	138	150	154
Local per capita EBI % of U.S.	--	117	128	142
Local population	--	13,401	13,154	13,137
Financial performance				
Operating fund revenues ($000s)	--	24,844	21,909	23,305
Operating fund expenditures ($000s)	--	25,369	24,234	23,121
Net transfers and other adjustments ($000s)	--	--	--	175
Operating result ($000s)	--	(525)	(2,325)	359
Operating result % of revenues	--	(2.1)	(10.6)	1.5
Operating result three-year average %	--	(3.7)	(2.8)	2.1
Reserves and liquidity				
Available reserves % of operating revenues	--	5.2	8.2	17.7
Available reserves ($000s)	--	1,280	1,804	4,129
Debt and liabilities				
Debt service cost % of revenues	--	10.7	12.4	10.7
Net direct debt per capita ($)	2,476	2,244	2,334	2,220
Net direct debt ($000s)	33,180	30,068	30,695	29,163
Direct debt 10-year amortization (%)	86	52	52	55
Pension and OPEB cost % of revenues	--	8.0	9.0	7.0
NPLs per capita ($)	--	1,094	1,195	1,268
Combined NPLs ($000s)	--	14,665	15,724	16,657

Little Falls, New Jersey--key credit metrics

	Most recent	2025	2024	2023

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$15.000 mil BANs dtd 9/17/2026 due 9/17/2027	
Short Term Rating	SP-1+
New Rating	
Local Government	
Little Falls, NJ Unlimited Tax General Obligation BAN	SP-1+
Ratings Affirmed	
Local Government	
Little Falls, NJ Unlimited Tax General Obligation	AA/Negative

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.