Research Update:

Verona Township, NJ Series 2026A Bond Anticipation Notes Rated 'SP-1+'; Series 2026 GO Bonds Rated 'AA'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to Verona Township, N.J.'s roughly $14.020 million series 2026A bond anticipation notes (BANs) and its 'AA' long-term rating to the township's about $9.938 million series 2026 general obligation (GO) bonds.
- We also affirmed our 'AA' long-term rating on the township's existing GO debt and our 'SP-1+' short-term rating on the existing BANs.
- The outlook on the long-term rating is stable.

Rationale

Security

The township's full faith and credit and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the series 2026 bonds and BANs and previously issued GO debt.

The short-term rating reflects our opinion of Verona's general creditworthiness and low market risk profile due to the township's strong legal authority to issue long-term debt to take out the BANs and its ongoing disclosure to market participants.

Officials will use BAN proceeds to fund certain capital ordinances related to road and sewer improvements.

Credit highlights

The rating reflects the township's strong economic indicators, consistently positive financial performance, and robust reserves. Verona's local incomes are well above national averages, providing uplift to our view of credit quality given its predominantly property-tax-supported income base. The township's somewhat elevated debt burden, with high annual fixed costs, and less formalized management policies and practices, preclude a higher rating at this time.

In our view, tax revenue and conservative budgeting supported balanced results and the maintenance of very high reserves through fiscal 2024. The township is estimating similar balanced results for fiscal 2025, with some growth in its reserves. Verona has expenditure visibility with its largest contract being settled through fiscal 2027 with reasonable increases. The fiscal 2026 budget is being prepared, with some expected rises in health care costs and stable property tax increases, although we note the township has been able to increase its property tax levy above the state's cap by utilizing cost waivers. The township is projected to undergo a revaluation. We believe Verona's predictable and consistent finances, supported by its affluent tax base, somewhat offset credit pressure stemming from sizable long-term liabilities.

With the inclusion of this issuance, Verona has roughly $56.8 million in debt outstanding, including $24.8 million in BANs and approximately $7.7 million in water, sewer, and pool debt that we consider self-supported through user charges. We excluded the BANs from our amortization calculations and expect underlying debt metrics will likely improve somewhat as Verona works through its financing plans. However, we do not expect this to alter our overall view of its credit fundamentals. Verona also has sizable pension and other postemployment benefit (OPEB) liabilities compared with its budget and elevated carrying charges. For more details, see: "Pension Spotlight: New Jersey," Oct. 9, 2025.

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

- Primarily residential base with direct access to the New York City metropolitan statistical area and several ongoing developments for market-rate and affordable housing. Verona, about 20 miles west of New York City, benefits from its proximity to the city's labor market, as reflected in its above-average income levels compared with those of county and national peers;
- Conservative budgeting practices and monthly budget-to-actual monitoring, with an annually updated six-year capital plan, and adherence to state guidelines for debt, investments, and reserves;
- Consistently positive operations supporting a high reserve and cash position;
- Elevated fixed costs with large unfunded pension liabilities. These will likely lead to escalating costs through participation in the state-administered New Jersey Police & Firemen's Retirement System, which is 65% funded, with an $11.6 million proportionate share of the net pension liability as of June 30, 2023; the New Jersey Public Employees' Retirement System, which is 48.4% funded, with an $8.9 million proportionate share of the net pension liability; and a large unfunded OPEB obligation, which is $38.7 million funded on a pay-as-you-go basis; and
- Institutional framework that we assess as in line with the portfolio standard. 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 consider environmental and social risks neutral in our credit analysis. Verona experienced flooding during Hurricane Ida. Officials report that they have worked on a plan with Essex County to lower the township's lake ahead of storm events and maintain a dedicated storm trust, mitigating flooding risk. We also view the state's governance of its pension plans and lack of a mechanism to prefund OPEBs as a weakness for New Jersey local governments.

Outlook

The stable outlook on the long-term rating reflects S&P Global Ratings' expectation that Verona will likely maintain steady operations, supported by a reliable property tax base.

Downside scenario

We could lower the rating if rising costs from long-term liabilities or any other unforeseen expenses pressure financial performance, resulting in a decline in reserves to levels no longer comparable with those of similarly rated peers.

Upside scenario

We could raise the rating if the township adopts comprehensive financial policies and carrying charges moderate, although we view such an event as unlikely given the size of the township's debt and pension liabilities and the state’s funding policies.

Verona Township, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.21
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.30
Debt and liabilities	4.75

Verona Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	101	102
County PCPI % of U.S.	--	--	114	115
Market value ($000s)	--	3,420,051	3,145,594	2,995,516
Market value per capita ($)	--	237,619	216,326	208,268
Top 10 taxpayers % of taxable value	--	--	4.4	--
County unemployment rate (%)	--	5.5	5.1	4.5
Local median household EBI % of U.S.	--	176	182	176
Local per capita EBI % of U.S.	--	194	193	182
Local population	--	14,393	14,541	14,383
Financial performance				
Operating fund revenues ($000s)	--	26,918	25,957	26,058
Operating fund expenditures ($000s)	--	26,854	25,439	24,972
Net transfers and other adjustments ($000s)	--	--	--	--
Operating result ($000s)	--	64	518	1,086
Operating result % of revenues	--	0.2	2.0	4.2
Operating result three-year average %	--	2.1	3.3	3.4

Verona Township, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Reserves and liquidity				
Available reserves % of operating revenues	--	27.8	28.6	26.5
Available reserves ($000s)	--	7,482	7,419	6,901
Debt and liabilities				
Debt service cost % of revenues	--	14.0	15.3	14.1
Net direct debt per capita ($)	3,905	3,529	3,402	3,648
Net direct debt ($000s)	56,202	50,789	49,467	52,463
Direct debt 10-year amortization (%)	74	39	44	--
Pension and OPEB cost % of revenues	--	11.0	13.0	12.0
NPLs per capita ($)	--	1,309	1,410	1,526
Combined NPLs ($000s)	--	18,839	20,508	21,949

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$14.02 mil BANs ser 2026A dtd 02/25/2026 due 02/24/2027	
Short Term Rating	SP-1+
US$9.938 mil GO bnds ser 2026 due 01/15/2052	
Long Term Rating	AA/Stable
Ratings Affirmed	
Local Government	
Verona Twp, NJ Unlimited Tax General Obligation	AA/Stable
Verona Twp, NJ Unlimited Tax General Obligation BANS	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.