

NOTICE MATERIAL EVENT

Rating Change

Allentown Borough
Monmouth County

Event Date: October 09, 2025

Relates To: Issuer Insurer Other Credit Enhancement Program

Name of Insurer or Program:

Rating Agency: Standard & Poors
 Moody's Investor Service
 Fitch Investors Service
 Kroll Bond Agency

From: AA To: AA-

Filing Date: October 10, 2025

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This Notice has been associated with all CUSIPs believed to be affected by this Material Event.

Research Update:

Allentown Boro, NJ GO Debt Downgraded To 'AA-' From 'AA' On Declining Incomes; Outlook Stable

October 9, 2025

Overview

- S&P Global Ratings lowered its long-term rating on Allentown Boro, N.J.'s general obligation (GO) debt by one notch to 'AA-' from 'AA'.
- The outlook is stable.
- The downgrade reflects a trend of declining borough incomes to a level we no longer consider extremely strong or sufficient to offset its small population and nominally low reserve levels.

Rationale

Security

The borough's full-faith-and-credit pledge secures its GO bonds.

Credit highlights

Allentown's general creditworthiness is highlighted by a small diverse residential and rural economic base with a population of just 1,700, located about 10 miles east of Trenton, N.J. with easy access to the New Jersey Turnpike and Interstate 1-95. Although the borough has generally maintained balanced operations with solid reserves on a percentage basis, we consider reserves to be nominally low. In addition, although incomes remain above the national average, they have trended lower relative to the nation over the past few years to just below 150%, which is the level we generally consider to be extremely strong.

The borough's revenue sources remain stable, composed primarily of property taxes with limited revenue growth in recent years. Given the latter, reserves have declined slightly over the past three years to \$706,000 at the end of fiscal 2024, equal to about 23% of revenue--a level we consider solid on a percentage basis but very low on a nominal basis--from \$948,000 at the end of fiscal 2021. Management indicates that for fiscal 2025 revenue and expenses are tracking in line with expectations and reserves should remain around current levels.

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We believe the borough's fixed costs are moderate, albeit affordable, driven by moderate overall direct debt and manageable retirement costs. Given the borough just funded several streetscape projects through county, state, and federal grants, management indicates that most capital needs consist of utility repairs and improvements that will be financed through the New Jersey Infrastructure Bank. The borough plans to increase utility rates to ensure that utility operations remain sound. We do not expect current debt plans to materially change the borough's debt profile.

While we believe retirement costs for the borough are manageable and do not pose an immediate budget challenge, we believe these costs could increase in the future given the borough participates in two state-administered pension plans that have low funded ratios.

The long-term rating further reflects our assessment of the borough's:

- Rural and residential economy that has access to employment opportunities throughout the northern [New Jersey](#) and Trenton area economies. Incomes remain above average but have declined in recent years.
- Generally balanced operating results with slight reserve declines in recent years to levels that we consider nominally low, with the expectation of maintaining balanced operating results in the current year.
- Stable management practices even though they lack formal financial management policies. This is highlighted by historically conservative budgeting that considers historical trends, and some long-term planning through maintenance of a three-year capital improvement plan updated annually as part of the budget cycle, as mandated by the state. However, there are no formalized multiyear financial forecasts, nor formalized policies beyond state statutes.
- Moderate, affordable fixed costs, no material debt plans, and relatively low retirement costs. The borough participates in two state-run pension plans and maintains OPEBs for employees; pension and OPEB liabilities total \$2.0 million and \$2.7 million, respectively as of fiscal 2024. For more details, see: "[Pension Spotlight: New Jersey](#)," June 21, 2022.
- 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 view the borough's environmental and social factors as credit neutral within our analysis. However, we view the state's governance of pension plans, particularly the lack of funding discipline, as a risk for New Jersey local governments, based on the potential for contribution cost increases.

Outlook

The stable outlook reflects S&P Global Ratings' view that Allentown will maintain balanced financial operations, supported by a stable tax base, and that management will make the necessary adjustments to keep current fund expenses aligned with revenue and maintain a structurally balanced budget. As a result, we do not expect to change the rating over our two-year outlook horizon.

Downside scenario

We could take a negative rating action if the borough faces increased fiscal pressures such that reserves materially decline, or if fixed costs materially increase.

Upside scenario

Although unlikely over the outlook period, we could take a positive rating action if the borough's economic metrics and financial profile materially improve to levels more commensurate with those of higher-rated peers, including reserves rising to levels that we do not consider nominally low.

Allentown Boro, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.8
Economy	1.5
Financial performance	3
Reserves and liquidity	3
Management	3.0
Debt and liabilities	3.50

Allentown Boro, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	96	96	96
County PCPI % of U.S.	--	143	143	143
Market value (\$000s)	--	290,114	247,591	199,378
Market value per capita (\$)	--	169,558	144,705	104,991
Top 10 taxpayers % of taxable value	--	--	--	--
County unemployment rate (%)	--	4.1	3.9	3.6
Local median household EBI % of U.S.	--	142	142	152
Local per capita EBI % of U.S.	--	143	143	161
Local population	--	1,711	1,711	1,899
Financial performance				
Operating fund revenues (\$000s)	--	3,034	3,081	2,889
Operating fund expenditures (\$000s)	--	3,143	3,031	3,123
Net transfers and other adjustments (\$000s)	--	50	--	--
Operating result (\$000s)	--	(59)	50	(234)
Operating result % of revenues	--	(1.9)	1.6	(8.1)
Operating result three-year average %	--	(2.8)	(0.7)	(4.1)
Reserves and liquidity				
Available reserves % of operating revenues	--	23.3	24.8	24.7
Available reserves (\$000s)	--	706	764	715
Debt and liabilities				
Debt service cost % of revenues	--	5.6	7.4	7.5
Net direct debt per capita (\$)	3,924	3,926	4,643	3,750

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Allentown Boro, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Net direct debt (\$000s)	6,714	6,717	7,945	7,122
Direct debt 10-year amortization (%)	53	53	47	--
Pension and OPEB cost % of revenues	--	7.0	9.0	7.0
NPLs per capita (\$)	--	1,187	1,156	1,128
Combined NPLs (\$000s)	--	2,760	1,978	2,143

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

Downgraded

	To	From
Local Government		
Allentown Boro, NJ Unlimited Tax General Obligation	AA-/Stable	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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