

Research Update:

Sea Isle City, NJ GO Improvement Bonds Assigned 'AA' Rating On Historically Positive Finances

July 29, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Sea Isle City](#), N.J.'s \$21.0 million series 2025 general obligation (GO) improvement bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the city's GO bonds outstanding.
- Finally, S&P Global Ratings affirmed its 'SP-1+' short-term rating on the city's outstanding bond anticipation notes (BANs), a portion of which will be permanently financed with this issuance.
- The outlook, where applicable, is stable.
- The ratings are based on the application of the criteria "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024

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Rationale

Security

Sea Isle City's full faith and credit secures the bonds and notes. The short-term note rating reflects our criteria for evaluating and rating BANs. Sea Isle City maintains a very strong capacity to pay principal and interest when the notes come due. We view the city's market risk profile as low because it has strong legal authority to issue long-term debt to take out the notes and is a frequent debt issuer that regularly provides disclosure to market participants.

Bond proceeds will refund a portion of its outstanding BANs. We understand the balance of the BANs not included in this financing will be rolled over as another BAN, along with some new money, by early October.

Credit highlights

Sea Isle City's historically positive finances and affluent property tax base support the long-term rating. Sea Isle City is a residential coastal community encompassing 2.4 square miles along the Atlantic Ocean in Cape May County, 25 miles south of Atlantic City, that is characterized by a mix

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of vacation homes and rental properties that accommodate a strong tourism industry and hold high market values. The city's resilient tourism-based area economy and robust reserves and liquidity, aided by conservative budgeting practices, offset potential risks associated with the cyclical nature of its tourism-based economy.

The city's permanent population has declined about 34% since 2000 due to an increased number of vacation and second homes. During peak summer months, visiting tourists and vacation homeowners increase the population to nearly 40,000. Given the large number of second homes, market value per capita based on the estimated 2,125 permanent residents surpasses \$4.3 million.

The city has a long history of solid financial performances, largely the result of conservative budgeting practices and strong property tax revenue increases associated with steady housing demand in the region. In fiscal 2024, the city fully replenished appropriated fund balance and increased current fund reserves by more than \$500,000 due in part to an increase to the municipal tax rate during the last two years and increased property taxes, which are the primary revenue source of current fund revenues at roughly 71%.

The fiscal 2025 budget included a \$1.2 million in increased tax levy as well as a \$3.7 million fund balance appropriation, slightly up from \$3.3 million the year prior. Based on year-to-date results, officials expect to end the year with a replenished fund balance at minimum and likely a surplus. In addition, the city maintains about \$1.4 million in banked levy cap from previous years available for the fiscal 2026 budget, providing additional financial flexibility. The city budgets for tax collections of 97.5%, which it has exceeded historically. Overall, we expect the financial profile to remain stable.

Sea Isle City has about \$79 million of total direct debt. The city intends to issue approximately \$7 million in general obligation debt over the next two years. While costs of debt and liabilities could increase with the additional debt, the city intends to layer in debt service payments to keep annual costs relatively flat, and we expect that it will maintain operations without significant stress.

We continue to view Sea Isle City's pension and other postemployment benefit (OPEB) plans as a credit weakness, similar to that of most New Jersey local governments given the elevated costs and per capita debt-and-retirement liabilities, even when accounting for summer residents. While these costs remain manageable for the city and we do not view them as an immediate credit concern, we believe they could increase and add some pressure to the budget depending on the state's adherence to its pension funding schedule. (For more information see "[Pension Spotlight: New Jersey](#)," June 21, 2022.) The state also prevents the city from prefunding its \$10.9 million OPEB liability with no funding mechanism in place.

The rating reflects our view of Sea Isle City's:

- Primarily residential tax base with strong seasonal tourism (while county income and economic output are near national averages, the local economy benefits from a large presence of second homes, elevating local incomes, and market value indicators);
- Positive finances with a current fund surplus in fiscal 2024, as well as likely balanced or better results for fiscal 2025 based on the latest budget status report, and reserves that will likely hold based on projections (though the city lacks a formal fund balance policy);
- Conservative budgeting, contributing to historically positive results, coupled with budget monitoring and annually updated long-term planning that informs future budgets;

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- Sizable per capita debt-and-retirement liabilities with associated fixed costs taking up a higher percentage of the budget (though we foresee no material changes in the debt profile given modest additional debt plans). Pension liabilities total \$17.5 million and the city’s OPEB liability totals \$11.0 million.
- 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 state's governance of its pension plans and lack of a mechanism to prefund OPEBs as a weakness in that it could lead to elevated and volatile costs. We view environmental physical risks as elevated given the city's potential coastal flooding as a barrier island. Management embeds climate resilience into its long-term planning to protect its physical assets from sea-level rise and severe weather. It has partnered with the Army Corps of Engineers for beach replenishment and invests heavily in flood mitigation efforts. The city is also taking steps to mitigate its cyber risk.

Outlook

The stable outlook reflects our view of Sea Isle City's very strong tax base and historically positive financial performances supporting flexibility through reserves and levy bank capacity.

Downside scenario

We could lower the rating if reserves were to weaken, whether because of deteriorated financial performance or increasing fixed-cost pressure, with no ability to restore them.

Upside scenario

With other factors remaining constant, we could raise the rating if per capita debt-and-retirement liabilities materially decreased amid maintenance of a very strong reserve position.

Sea Isle City, New Jersey--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.36
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.30
Debt and liabilities	5.50

Sea Isle City, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	97	94
County PCPI % of U.S.	--	--	114	111
Market value (\$000s)	--	9,965,156	9,162,208	8,074,767

Sea Isle City, New Jersey--key credit metrics

	Most recent	2024	2023	2022
Market value per capita (\$)	--	4,689,485	4,311,627	3,989,509
Top 10 taxpayers % of taxable value	--	1.1	1.1	1.1
County unemployment rate (%)	--	8.0	7.9	6.8
Local median household EBI % of U.S.	--	--	122	126
Local per capita EBI % of U.S.	--	--	191	192
Local population	--	--	2,125	2,024
Financial performance				
Operating fund revenues (\$000s)	--	31,589	26,251	26,429
Operating fund expenditures (\$000s)	--	31,015	27,538	25,809
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	574	(1,287)	620
Operating result % of revenues	--	1.8	(4.9)	2.3
Operating result three-year average %	--	(0.2)	0.6	3.0
Reserves and liquidity				
Available reserves % of operating revenues	--	25.5	28.5	33.1
Available reserves (\$000s)	--	8,048	7,474	8,760
Debt and liabilities				
Debt service cost % of revenues	--	19.7	22.4	20.7
Net direct debt per capita (\$)	25,096	35,321	24,643	28,641
Net direct debt (\$000s)	53,330	75,058	52,367	57,969
Direct debt 10-year amortization (%)	82	44	--	--
Pension and OPEB cost % of revenues	--	10.0	11.0	10.0
NPLs per capita (\$)	--	8,261	8,514	6,243
Combined NPLs (\$000s)	--	17,554	18,092	12,636

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\$21.0 mil GO imp bnds ser 2025 due 08/15/2040

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

Sea Isle city, NJ Unlimited Tax General Obligation AA/Stable

Sea Isle city, 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

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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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