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Fitch Rates Monmouth County, New Jersey County GOs 'AAA' Ratings

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Fitch Ratings-New York-11 December 2009: Fitch Ratings has assigned its 'AAA' rating to Monmouth County, New Jersey's (county) refunding obligation bonds, series 2009, consisting of:

- \$18.015 million general improvement refunding bonds, series 2009;
- \$4.62 million open space refunding bonds, series 2009;
- \$1.74 million utility refunding bonds, series 2009.

The bonds are scheduled to sell via negotiated sale on Dec. 14, 2009 with the proceeds used to partially refund several series of outstanding bonds. The bonds are secured by the full faith and credit and unlimited ad valorem taxing power of Monmouth County. Fitch also affirms the 'AAA' rating on approximately \$431 million of outstanding county general obligation (GO) bonds and \$186 million of outstanding county-guaranteed MCIA bonds. The Rating Outlook is Stable.

The 'AAA' rating reflects the county's solid financial management resulting in continued strong operations and financial flexibility, stable growth in its wealthy tax base, and low direct debt levels with rapid amortization. Fitch expects the county will maintain financial flexibility despite its high fixed costs. The county continues to benefit from positive employment growth, and current unemployment levels remain below both the state and national averages. Despite a small draw in fiscal 2008, fund balances remain strong due to the county's conservative budget practices, expenditure controls, and healthy flow of revenue driven by an expanding property tax base. Future pressure in the housing market may slow the historically strong growth in the county's tax base. The county's capital plan has grown, but remains affordable, and although primarily bond-funded, debt levels should remain moderate given the county's conservative debt policies including rapid amortization rates.

The county is located along the northern Atlantic Ocean shore of New Jersey, 50 miles outside of New York City. Population grew 11.3% through the 1990s, and wealth levels remain strong as demonstrated in the county's high market value per capita of \$200,554 in 2008. While the health care and retail sectors still dominate private employment, strong gains in the real estate, wholesale, and leisure and hospitality sectors are evident. The county's unemployment rate of 8.5% in October 2009 remains below the state and national averages of 9.3% and 10.2%, respectively.

With the planned closure of Fort Monmouth, the composition of the county's largest employers is expected to move away from the governmental sector but retain large representation of education and health care as well as the professional and business and retail sectors. In response to the base closure, the Fort Monmouth Economic Revitalization Commission, with local, state, and county representation, is exploring redevelopment options. Fitch believes the county's ability to withstand the base closure is strong as the economy is deeply diversified, providing opportunities for the highly skilled displaced employees. Demand for land in the area of Fort Monmouth is high. The current remaining 4,800 primarily civilian employees at the base represent a relatively small portion of the county's overall labor force, which totaled 348,797 in July 2009, up 2.3% from July 2008.

The county's financial position is strong supported by conservative budgeting and expenditure controls. The 2008 unreserved fund balance totaled \$83.6 million or 16.8% of expenditures following a small draw of \$3.7 million. The county's wealthy property tax base has expanded steadily and remains primarily residential at 82%. With the revaluation of existing property and new construction, property values grew at double-digit rates through 2007, and at 6.7% in 2008. In 2009, estimates show a slowing to an annual growth rate of 1.3%.

The county's direct debt burden is low at \$632 per capita and 0.3% of market value (MV). Debt levels are more moderate on an overall basis, with debt per capita at \$3,165 and 1.6% of MV. If MCIA debt is not treated as self-supporting, the direct debt burden rises to a still low \$917 per capita, or 0.5% of MV, and the overall net debt rises to a still moderate \$3,450 per capita and 1.7% of MV. Pursuant to county resolution, county debt is amortized very rapidly, providing ample capacity in future years for continued capital investment. Amortization rates are comfortably above the county's 70% policy, with almost 80% retired in 10 years.

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