

**Tax Supported
New Issue**

Monmouth County, New Jersey

Ratings

New Issue

General Obligation Bonds,
Series 2001.....AAA

Outstanding Debt

General Obligation Bonds.....AAA
 County-Guaranteed Capital Equipment
 Pooled Lease Revenue Bonds*AAA
 County-Guaranteed Recreational
 Facilities Revenue Bonds*AAA
 County-Guaranteed Correctional
 Facilities Revenue Bonds*AAA

*Issued by Monmouth County Improvement Authority.

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New Issue Details

\$36,010,000 General Obligation Bonds, Series 2001, are scheduled to sell competitively on July 11. The bonds will be dated July 15, 2001 and mature serially July 15, 2002-2016. Bonds maturing on or after July 15, 2011 are subject to redemption beginning July 15, 2010 at 101, declining thereafter.

Security: The bonds are secured by the county's full faith and credit pledge and are payable from ad valorem taxes without limitation as to rate or amount.

Purpose: Bond proceeds will be used to finance various capital improvements for general purposes, including roads and bridges, and Brookdale Community College.

■ Outlook

The 'AAA' rating reflects Monmouth County's solid financial management resulting in strong operations and financial flexibility; low to moderate debt levels; and high income levels. Additional credit strengths include the county's growing and diversifying economy. Fund balances continue to grow, reaching 17.2% of the budget for 2000, as the county continues expenditure controls and receives modest revenue growth. The county tax base remains strong with 2001 growth in assessed value (AV) reflecting the 3% annual average over the past decade. The county continues to review revenue options for financing of its landfill operations in the long term, and, although the county's capital plan will be mostly debt funded, debt levels should remain moderate given very rapid amortization.

■ Rating Considerations

Monmouth County is located along the northern Atlantic shore of New Jersey, 50 miles outside of New York City. The county's population continues to grow, increasing 11.3% since 1990 to an estimated 615,301, faster than the state's 8.6% growth. Job growth kept pace during this time, growing 1.0% per year. Overall, employment, while still concentrated in health care and retail, is diversifying, with significant gains in the construction, trade, and finance sectors. Additionally, the presence of AT&T Corp. and Lucent Technologies research labs sparked small spin-off companies locating in the county. The county's property tax base has expanded steadily but remains primarily residential at 80%. AV grew an average of 2.9% annually since 1990, with equalized market value experiencing two large growth years in 2000 and 2001 of 6% and 10%, respectively. Income levels remain high and have grown relative to the state and nation since 1996. The county's unemployment rate remains low at 3.3%, below the state's 3.8% and the nation's 4.9%.

The county's financial position is excellent. The 2000 ending fund balance of \$58.3 million is 17.2% of expenditures and represents an 8% increase over 1999 and a 33% increase over 1998 levels. Like all counties in New Jersey, Monmouth County is guaranteed 100% property tax remittance by the municipalities, and current tax revenues represent 57% of the county budget. With growth in AV, the county continues to decrease the property tax rate, down to \$4.22 per \$1,000 AV, and the county projects a strong 8.5% tax revenue growth in the 2001 budget. The total 2001 budget reflects a growth of 6.6% over the 2000 budget, consistent with conservative budget projections over the past few years.

The county's debt burden is low to moderate, with overall debt at \$1,570 per capita and 1.86% of equalized value. Debt service expenditures were 11.4% of current fund expenditures in 2000,

July 10, 2000

and although the six-year \$141 million capital improvement plan (CIP) will be 90% bond funded, debt amortizes extremely rapidly at 91% in 10 years, keeping future debt levels manageable.

■ Strengths

- Continued strong financial management, operations, and financial flexibility.
- Low to moderate debt levels, with rapid amortization.
- Above-average wealth and growing tax base, with 100% of tax collections guaranteed by underlying municipalities.
- Solid long-term growth in population and economic base, with continued tax base diversification.

■ Risk

- Continued expansion needed in employment base.

■ Debt

The county continues to issue debt to finance infrastructure improvements to support its growing population; however, debt levels remain low to moderate. Overall debt is \$1,570 per capita and 1.86% of equalized value. The county's principal payout is very rapid, with 57% retired in five years and 91% in 10 years. Monmouth County's 2001-2006 CIP, adopted by the freeholder board, totals \$141 million, 90% of which will be debt financed. The CIP is \$42 million less than the 2000-2005 CIP due to increased state funding for roads and bridges. The current CIP focuses on roads and highways (27%), bridges (24%), and easements (15%).

The county maintains prudent debt management policies, including maintaining debt service as a percentage of current fund revenues at a maximum level of 12%, amortizing county debt at a rate of at least 70% in 10 years, and preventing county direct debt as a percentage of equalized value from exceeding 0.75%. In 2000, the county was well within debt policies, with debt service at 11.4% of the budget, amortization of 91% in 10 years, and direct debt at 0.46% of equalized value. Direct debt ratios should remain near current levels because of the rapid debt payout. The county's pay-as-you-go capital appropriations for 2000 were \$13.1 million and were 10% above 1999 levels. The 2001 budget projects a further increase of 5% on pay-as-you-go capital. Water and sewer systems can accommodate the needs of the county's growing population until 2010.

Debt Statement

(\$000)

This Issue	36,010
General Obligation Bonds	180,245
Utility Debt (Solid Waste)	21,140
County College Bonds	12,590
County Vocational Bonds	3,546
Green Trust Program	18,056
County-Guaranteed Debt	94,610
Total Direct Debt	366,197
Less: Self-Supporting Debt*	128,639
Net Direct Debt	237,558
Overlapping Debt	728,169
Overall Net Debt	965,727

Debt Ratios

Direct Debt Per Capita**	386
Overall Debt Per Capita**	1,570
As % of Equalized Value†	1.86

*Includes county college, vocational school and Monmouth County Improvement Authority (MCIA) equipment leases and other utility and MCIA debt. **Population: 815,301 (2000 estimate).

†Equalized value: \$51,857,201,000 (2001).

■ Finances

Financial planning, management, and budgeting continue to be strong. The county effectively manages its budget to meet increased expenditures, due to population and economic growth. Since 1989, the county has recorded consecutive annual operating surpluses. The 2000 surplus of more than \$6.6 million helped increase the current fund balance 7.7% to \$58.3 million, representing 17.2% of expenditures. Since 1996, county fund balances have averaged a strong 14.8%, and the county foresees no major drawdowns from these levels.

The 2001 adopted budget continues the county's practice of containing expenditures and conservatively estimating revenues. The \$351.8 million budget is a moderate 6.6%, above the 2000 adopted budget, only slightly above the 6.3% budget growth from 1999 to 2000. The largest increase in the budget is \$13 million for salaries and wages, over actual 2000 expenses, as the county has added some new positions. As the county's infrastructure expenses decrease due to greater state contributions, capital improvements and debt service are budgeted to rise only \$0.7 million from the 2000 actual expenses. This figure is lower than the \$4.0 million budgeted increase over 1999 expenses.

The largest expense category, health and human services (HHS), accounts for \$73.8 million, or 21.8%, of the budget. Historically, the county has paid approximately one-third of total health and welfare costs, with federal and state moneys funding

Current Fund Financial Summary

(\$000, Audited Years Ended Dec. 31)

	1996	1997	1998	1999	2000*	As % of Revenues/ Expenditures	
						1996	2000
Property Taxes	183,900	184,600	189,700	193,900	201,530	59.1	58.4
Non-Budget Revenues	11,542	12,720	13,709	13,270	14,931	3.7	4.3
Local Revenues	52,826	52,658	54,645	57,468	60,587	17.0	17.6
State Aid	32,982	34,900	30,360	34,674	33,083	10.6	9.6
State Payments to Social Welfare	16,284	15,631	15,571	14,252	14,804	5.2	4.3
Miscellaneous	13,735	13,864	12,352	15,080	20,096	4.4	5.8
Total Revenues	311,269	314,372	316,337	328,644	345,031	100.0	100.0
General Government	43,371	44,600	50,485	46,957	52,885	14.3	15.6
Judiciary	10,779	8,711	558	557	601	3.6	0.2
Regulation	11,283	11,911	12,393	12,766	14,483	3.7	4.3
Public Works	23,557	22,640	24,207	25,891	28,540	7.8	8.4
Corrections	23,522	24,996	26,085	30,154	32,555	7.8	9.6
Health and Human Services	72,405	72,450	73,258	72,720	73,811	23.9	21.8
Education	30,766	31,039	31,868	31,851	32,144	10.1	9.5
Recreation	11,709	12,157	13,075	14,033	14,969	3.9	4.4
Public/Private Programs Offset w/Revenues	22,770	25,628	24,287	23,379	25,461	7.5	7.5
Capital Improvements	8,363	8,541	10,268	11,854	13,051	2.8	3.9
Debt Service	34,266	34,513	35,495	36,705	38,573	11.3	11.4
Statutory Contributions	9,760	10,842	10,715	10,946	11,081	3.2	3.3
Unclassified/Contingent	820	192	191	215	252	0.2	0.1
Total Expenditures	303,171	308,220	312,882	318,022	338,406	100.0	100.0
Operating Income/(Deficit)	8,098	6,152	3,454.6	10,622.4	6,625	—	—
Net Transfers and Other Uses	6,670	7,630	8,088	9,556	8,993	—	—
Net Income/(Deficit)	14,768	13,782	11,540.6	20,178.4	15,618	—	—
Total Fund Balance	37,217	40,980	43,762	54,117	58,281	—	—
As % of Expenditures	12.3	13.3	14.0	17.0	17.2	—	—

*Unaudited.

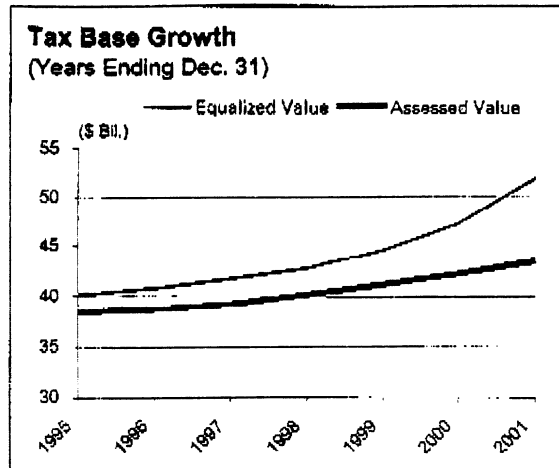
the remainder. The county has taken measures — especially in the management of the health and welfare department and the abolition of the social services board — to successfully pare costs. HHS expenditures for 2000 represent a 2.1% decreased influence on the budget since 1996. The county expects future federal and state reductions in welfare to result in dollar-for-dollar cuts in program expenditures.

Property taxes constitute 58.4% of the county's annual current fund revenues (including postadopted budget miscellaneous revenues and grants but excluding usage of fund balance moneys), with the remainder consisting of a combination of state and federal grants and miscellaneous sources, including local revenues. The \$218.6 million tax levy for 2001 represents a 8.5% increase from 2000, exceeding the 2.9% growth in 1999–2000. The 2001 tax rate of \$4.22 per \$1,000 of AV represents a 2.3% reduction in the millage rate from last year, following a 2.1% reduction from 1999. Tax rates have been continually decreasing since the 1995 decade-high of \$4.55. Tax

collections, guaranteed by the county's municipalities, are 100% of the annual levy, providing a reliable, steady revenue stream. Tax remittance to the county is made quarterly on the 15th of February, May, August, and November.

The elimination of legal flow control continues to influence long-term decisions surrounding solid waste operations. As the county lowered tipping fees to remain competitive (currently \$49 per ton), revenues fell dramatically, forcing the system to rely on reserves for operations and debt service. In an effort to stabilize revenues, the county now requires that all waste not shipped out of state be sent to the county landfill. This requirement could be tested in the courts.

Last year, the county's plan was to seek state approval to implement a solid waste tax to cover operating costs. If approved, the tax would have been included with the county property tax levy, payment of which would be guaranteed by underlying municipalities. However, due to a recent New Jersey

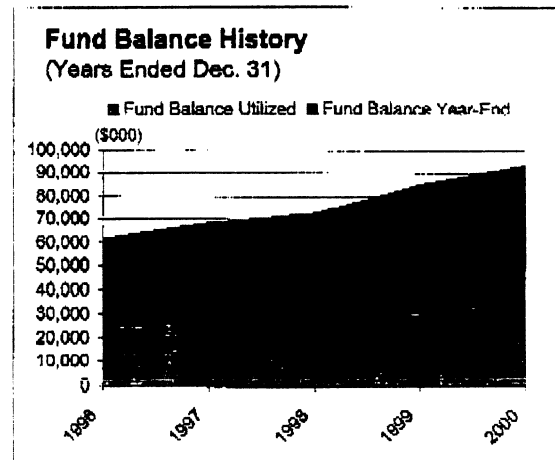


supreme court decision rendering the current implementation of the common solid waste tax (the environmental investment charge) unconstitutional, the county plans to continue to draw down solid waste reserves. Although system fund balances were again drawn down a mere 0.4% in 2000, ample financial flexibility remains for the short term while the county finalizes a plan. The 2000 reclamation center utility fund balance totaled \$29.1 million, representing more than 94% of system expenditures. The county maintains additional flexibility in its rate-raising ability as the tip-fee charge is authorized up to \$69 per ton; \$20 greater than the current \$49 per ton.

■ Economy

Located in central New Jersey, Monmouth County covers 41 square miles and has a 27-mile Atlantic Ocean coastline. Population growth has been rapid because of the county's proximity to the Greater New York/Northern New Jersey metropolitan area, land availability, good roads, and access to transportation systems. The county's 2000 population represented an 11.3% growth over the 1990 population, surpassing the strong growth of the 1980s (9.9%) and making it one of the fastest growing counties in the state.

Income levels remain above average, with the county's 1999 per capita personal income of \$37,356 equaling 105% of the state average and 131% of the national average. County income levels grew relative to the state and nation since 1995, when per capita personal income was 103% and 128%, respectively. The county's 1998 median household effective buying income of \$49,305 was 105% and 139% of state and national figures, respectively.



Consistent with its population growth and development, the county's tax base grew rapidly, at a high 15% average annual rate, during the 1980s. From 1990-2000, net AV grew 2.9% annually to \$43.5 billion. The market value of property fell 3.2% in 1992 and 2.9% in 1993 due to the recession but has grown 27% since 1995, to \$51.9 billion in 2001. The tax base is diverse, as the top 10 taxpayers account for only 2.5% of taxable AV.

The county maintains strong growth, and construction as a percentage of equalized value remains stable. In 2000, the value of total building permits to equalized value was 1.1%, consistent with levels of the past few years. As the county continues to diversify, the total value of residential permits in 2000 dropped 10% over 1999. Residential permits were strong in the mid to late 1990s with the construction of increasingly expensive homes. In 1999, the value of new residential construction increased 1.5% over 1998's rates, while the actual number of permits decreased 10%. This followed 34% and 10% respective rises in value from 1997 and 1998.

Continued diversification is evident with a staggering 30% increase in the value of new commercial building permits from 1999 to 2000. In two years, the county vacancy rate for class A office space dropped from 4.1% in 1998 to 1.2% in 2000, making Monmouth County the lowest in the state. Residential assessments account for 80% of the total 2001 AV, with commercial assessments accounting for 15%.

The county unemployment rate remains below state and national levels, at 3.3% in 2000, compared with the state's 3.8% and nation's 4.9%. The civilian labor force grew 0.1% from 1999, following a slight

decline, while the employed labor force grew a faster 0.9% in 2000. Approximately two-thirds of the county's labor force works in Monmouth County, attesting to its substantial employment base. Others commute to jobs in surrounding counties, such as Middlesex and Ocean counties, as well as to New York City. Private employment numbers show that the county has a relatively high number of jobs in services (39%) and trade (31%) compared with that of the state and nation.

While relatively high trade and service employment is consistent with a growing population of above-average age, the county's population is younger than that of the state as a whole. From 1990-1996, Monmouth County experienced a 6.7% rise in the population under age 65, compared with 2.7% in New Jersey. Employment in the government sector is relatively high due to jobs provided by Fort Monmouth and the Earle Naval Weapons Station, more than 40 local governments, and many school districts. Fort Monmouth, which continues to recover from operations consolidations due to nationwide base closings, is now the county's largest employer. Fort Monmouth concentrates on electronics and computer research and currently employs 6,000 civilians, a 2.1% increase over 1998, but still below employment levels of the mid-1990s. Employment at Earle was up 2.4% in 1999 but decreased 5.9% in 2000 to 3,019.

Meridian Health System, previously the largest county employer, includes the Jersey Shore and Riverview Medical Centers. In 2000, Meridian employment in the county dropped from 5,300 employees to 4,056, continuing its downward trend; however, AT&T and Lucent remain strong with research labs in the county, together employing approximately 9,100 people. AT&T is building a national software headquarters in Middletown. When completed in 2007, this three-phase project is expected to add 2.8 million square feet and as many as 9,500 workers. The first phase of the expansion, consisting of 1.2 million square feet, opened in May 1999. In total, the expansion should yield an additional \$3 million in annual tax revenues. Lucent is moving telephone and answering machine manufacturing to Eatontown.

Despite shifts among the top employers, county employment grew 1% annually in the 1990s, which is further evidence of the broad employment base. Through June 2001, the top 10 employers accounted for a modest 12.1% of residential employment. Many small and medium-sized companies, including computer and engineering companies, as well as spin-off companies spurred by AT&T and Lucent, provide additional jobs. Future growth will most likely center on services, particularly health care and retail. Tourism also remains an important part of the county's shore economy.

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