

Tax Supported  
New Issue

## Monmouth County, New Jersey

### Ratings

#### New Issue

General Obligation Bonds,  
Series 2002 ..... 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.

### Analyst

Jessalynn K. Moro  
1 212 908-0608  
jessalynn.moro@fitchratings.com

H. Fabian Ramirez  
1 212 908-0803  
fabian.ramirez@fitchratings.com

### Issuer Contact

Mark E. Acker  
County Finance Director  
1 732 431-7391

### Issuer Web Site

www.shore.co.monmouth.nj.us

### New Issue Details

Approximately \$53,515,000 General Obligation Bonds, Series 2002, are scheduled to sell competitively on or about July 10. The bonds mature serially 2003–2017. The bonds consist of \$40 million in general county proceeds, \$4.5 million of county college debt, and \$9.0 million in self-supporting utility bonds.

**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; Brookdale Community College needs and completion of a third cell at the county's solid waste facility.

### Outlook

The 'AAA' rating reflects Monmouth County's solid financial management resulting in continued strong operations and financial flexibility, high wealth levels, and low-to-moderate debt levels with rapid amortization. Additional credit strengths include the county's stable economy and continued growth in both residential and nonresidential construction. Fund balances continue to grow, reaching 17.2% of the budget for fiscal 2001, as the county maintains conservative budgeting and expenditure controls and experiences healthy revenue growth. The county's capital improvement plan (CIP) is affordable, and although primarily debt funded, debt levels should remain moderate given very rapid amortization rates.

### Rating Considerations

Monmouth County is located along the northern Atlantic shore of New Jersey, 50 miles outside New York City. The county's population continues to grow, increasing 11.3% from the 1990 census to the 2000 census figure of 615,301 and faster than the state's 8.6% growth. Employment maintains its steady growth, outpacing annual average increases in population over the last 10 years at 1.3% annually. 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 and Lucent Technologies research labs, while vulnerable over the last year, continues to spark small spinoff companies locating in the county. The county's property tax base has expanded steadily but remains primarily residential at 80%. Assessed value (AV) has grown an average of 3.2% annually since 1998, with the equalized value maintaining its large annual increases, averaging 6.6% over the same period. Income levels remain strong and are further demonstrated in the county's high market value per capita of \$95,585. The county's unemployment rate of 4.5% (April 2002) remains below the state's 5.2% and the nation's 5.8%.

The county's financial position is excellent. The 2001 unaudited unreserved/undesignated fund balance of \$65.6 million reflects 17.2% of expenditures. Overall, fund balances over the last five years have increased 9.9% on an average annual basis, supported by conservative budgeting and expenditure controls. Additionally, the strong housing market continues to boost revenues in the current fund, greatly mitigating any budget constraints due to decreased investment income and increasing insurance costs. Like all counties in New Jersey, Monmouth County is guaranteed 100% property tax remittance by the municipalities, and current tax revenues represent over 65% of the county budget. The county maintains further financial flexibility through continued pay-as-you-go capital contributions. Fiscal 2002 budget appropriations reflect a minimal 2% growth over actual

July 3, 2002

expenditures in 2001, consistent with conservative budget projections over the last few years. The county's debt burden is low to moderate, with overall debt at \$2,471 per capita and 2.6% of equalized value. Amortization rates are rapid, with 85% retired in 10 years.

### ■ 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 stable economic base.

### ■ Risks

- Minimal.

### ■ Debt

The county continues to issue debt to finance infrastructure improvements to support its growing population; however, debt levels remain low to moderate. Net direct debt is low at \$481 per capita and 0.5% of equalized value. Overall debt is more moderate at \$2,471 per capita and 2.6% of equalized value. The county's principal payout is very rapid, with 51% retired in five years and 85% in 10 years. Monmouth County's 2002-2007 CIP, adopted by the freeholders board, totals \$261 million, 88% of which will be debt financed. Other funding sources for the CIP include continued commitments from the state transportation fund and the county's consistent pay-as-you go contributions. The county's infrastructure needs focus on roads and bridges (over 50% of the CIP) and land preservation.

The county maintains prudent debt management policies, including keeping 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 2001, the county was well within debt policies, with debt service at 10.3% of the budget, amortization of 85% in 10 years, and direct debt at 0.5% 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 2001 were \$11.6 million, and the 2002 budget projects a significant increase of 38% on pay-as-you-go capital; reaching \$16 million. Water and sewer systems can accommodate the needs of the county's growing population until 2020.

### Debt Statistics

(\$000)

This Issue	53,515
Outstanding Debt*	<u>242,442</u>
Direct Debt	295,957
Overlapping Debt	<u>1,224,585</u>
Total Overall Debt	1,520,542

### Debt Ratios

Direct Debt Per Capita (\$)**	481
As % of Equalized Value†	0.5
Overall Debt Per Capita (\$)**	2,471
As % of Equalized Value†	2.6

\*Includes county college, vocational school, Monmouth County Improvement Authority (MCIA) equipment leases, and other utility and MCIA debt. \*\*Population: 615,301 (2000).

†Equalized value: \$58,813,432,000 (fiscal 2002).

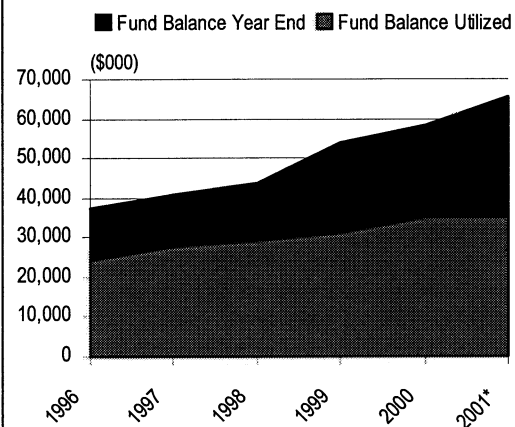
### ■ Finances

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 unaudited 2001 surplus of more than \$9 million helped increase the unreserved/undesignated fund balance to \$65.6 million, or 17.2% of expenditures. Since 1996, county fund balances have averaged a strong 15.4%, and the county foresees no major drawdowns from these levels.

The 2002 adopted budget upholds the county's practice of containing expenditures and conservatively estimating revenues. The \$376.4 million budget is a moderate 6.9%, more than the 2001 adopted budget,

### Fund Balance History

(Years Ended Dec. 31)



\*Unaudited.

## Financial Summary

(\$000, Years Ending Dec. 31)

	— Audited —		Unaudited	Budgeted*	As % of Revenues	
	1997	1999	2001	2002	1997	2001
Municipal Property Taxes	184,600	193,900	218,585	236,020	58.7	57.8
Miscellaneous Revenues Anticipated	117,053	121,475	144,425	102,802	37.2	38.2
Miscellaneous Revenues Not Anticipated (Nonbudgeted Revenue)	12,720	13,270	14,957	—	4.0	4.0
Added and Omitted Tax Revenue	—	—	—	—	—	—
<b>Total Revenues</b>	<b>314,373</b>	<b>328,645</b>	<b>377,967</b>	<b>338,822</b>	<b>100.0</b>	<b>100.0</b>
General Government	44,600	46,956	58,316	20,943	14.5	15.8
Land Use Administration	—	—	—	1,411	—	—
Code Enforcement and Administration	—	—	—	324	—	—
Insurance	—	—	—	35,028	—	—
Judiciary	8,711	557	626	—	2.8	0.2
Regulation	11,911	12,766	14,915	—	3.9	4.0
Public Safety (Corrections and Penal)	24,996	30,154	34,870	63,865	8.1	9.5
Roads and Bridges (Public Works and Engineering)	22,640	25,891	31,885	27,854	7.3	8.6
Health and Welfare	72,450	72,720	78,738	85,090	23.5	21.3
Educational	31,039	31,851	32,257	32,849	10.1	8.7
Recreation	12,157	14,033	15,878	16,496	3.9	4.3
Other**	25,820	23,419	40,848	24,614	8.4	11.1
Debt Service	34,513	36,705	38,786	39,801	11.2	10.5
Capital Improvements	8,541	11,854	11,563	15,962	2.8	3.1
Deferred Charges and Statutory Expenditures	10,842	10,946	10,278	12,175	3.5	2.8
Total Reserved for Encumbrances	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>308,220</b>	<b>317,852</b>	<b>368,960</b>	<b>376,412</b>	<b>100.0</b>	<b>100.0</b>
Operating Income/(Deficit)	6,153	10,793	9,007	(37,590)‡	—	—
Other Credits to Income†	—	98	—	—	—	—
Unexpended Balance to Appropriation Reserves	7,180	9,545	10,273	—	—	—
Appropriation Reserves – Current Year	(10,018)	(9,825)	(12,046)	—	—	—
Other Expenditures and Adjustments	—	—	—	—	—	—
Net Credits and Adjustments	(2,838)	(280)	(1,773)	—	—	—
Net Income/(Deficit)	3,315	10,513	7,234	(37,590)	—	—
Total Fund Balance	46,445	58,043	69,692	—	—	—
As % of Total Expenditures	14.6	17.7	18.3	—	—	—
Unreserved Fund Balance	40,980	54,117	65,606	—	—	—
As % of Total Expenditures	12.9	16.5	17.2	—	—	—
Unreserved/Undesignated Fund Balance	40,980	54,117	65,606	—	—	—
As % of Total Expenditures	12.9	16.5	17.2	—	—	—

\*Includes reclassification of certain appropriations. \*\*Includes unclassified; public/private expenditures offset by revenues, and contingent. †Net of current year appropriation canceled. ‡ Budget balances through annual appropriation of fund balances.

but only slightly above 2000–2001 budget growth of 6.6%. While the 2002 budget numbers reflect a reclassification of certain county appropriation groups, health and welfare and public safety continue to drive the budget, as well as a 13% increase in insurance costs. The county is currently revisiting certain county insurance contributions and has conservatively budgeted a greater increase in its preliminary 2003 projections. Compared with unaudited appropriations in 2001, 2002 budgeted expenditures represent a minimal 2% growth.

The largest expense category, health and human services (HHS), accounts for \$85.1 million, or 22.6%, of the budget. Historically, the county has paid approximately one-third of total health and welfare

costs, with federal and state moneys funding 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 2001 represented a 2.3% reduction since 1997. The county expects future federal and state reductions in welfare to result in dollar-for-dollar cuts in program expenditures.

Property taxes constitute 57.8% of the county's annual current fund revenues (including post-adopted 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 \$236 million tax levy for 2002 represents an 8% increase from 2001, as the tax base continues to grow at a strong pace. The county continues to decrease tax rates since the 1995 decade-high of \$4.55 per \$1,000 in equalized value, reaching \$4.01 per \$1,000 in 2002. 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.

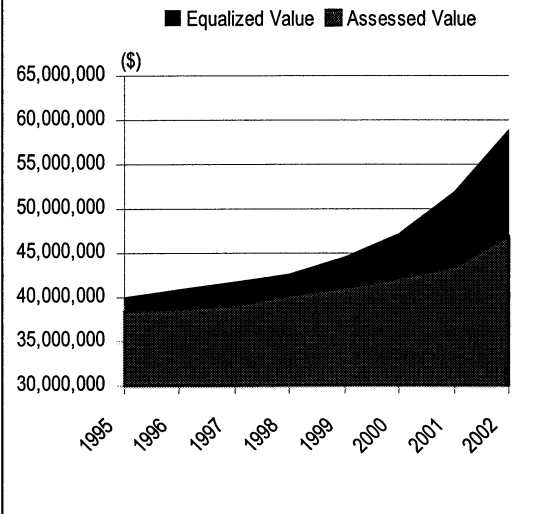
The elimination of legal flow control continues to influence long-term decisions surrounding solid waste operations. When the county lowered tipping fees in the mid-1990s to remain competitive, revenues fell dramatically, forcing the system to rely on reserves for operations and debt service. In an effort to stabilize revenues, the county now requires that all waste not shipped out of state be sent to the county landfill. Additionally, the county will raise rates by \$4 per ton both this year and next (reaching \$57 per ton by 2004) to cover debt service on the 2002 utility bonds and to decrease the operating deficit of the fund. Although system fund balances were again drawn down a significant 25% in 2001, financial flexibility has been maintained, as the reclamation center utility fund balance totaled \$21.7 million, representing more than 51% of system expenditures. The county has additional flexibility in its rate-raising ability, as the tipping fee charge is authorized up to \$69 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, solid road and bridge infrastructure, and access to transportation systems. The county's 2000 population represented 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 2000 per capita personal income of \$40,123 equaling 108% and 136% of the state and national averages, respectively. County income levels have grown relative to the state and nation since 1995, when per capita personal income was 103% and 128%, respectively. The county's 1999 median household effective buying income of \$51,567 was 105% and

**Tax Base Growth**  
(Years Ending Dec. 31)



139% of state and national figures, respectively. Additionally, market value per capita is high at \$95,585, which is especially significant given the large residential tax base of the county, totaling 80% of AV over the last five years.

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 grew 27% from 1995 to 2000. Both 2001 and 2002 represent significant growth, with equalized value increasing 9.8% and 13.4%, respectively. The tax base has no concentration in its top 10 taxpayers, as they account for a minimal 2.1% of taxable AV.

The county maintains strong growth, and while the coastline is primarily built out, the western portion of the county is showing significant development. Construction as a percentage of equalized value remains stable, with 2001 building permit values totaling 1.2% of equalized value, consistent with levels over the past few years. While commercial development continues, residential permits are driving the construction market, and the county's AV consistently remains approximately 80% residential. In 2001, the value of new residential construction decreased from the boom years of the late 1990s but averaged 64% of total permits valued between 1997–2001, compared to the commercial/industrial average of

22%. However, continued diversification is evident in the proportional growth of commercial permit values over the same period, up from 17% in 1997 to 27% in 2001. Additionally, 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.

The county unemployment rate, while increasing with national trends, was below state and national levels in 2001, at 3.6%, compared with the state's 4.2% and nation's 4.9%. 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. 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. Both bases have seen increased activity over the past nine months and remain an active employer and economic driver in the county.

Meridian Health System, the second largest county employer, includes the Jersey Shore and Riverview Medical Centers. In 2001, Meridian grew its employee base by 1% to a total of 4,082. Other top employers include AT&T and Lucent with research labs in the county. While these sites have not been as hard hit as others across the nation, total employment between the two telecommunication companies is down from 9,100 in 2000 to 6,130 in 2001. However, despite shifts among the top employers, county employment has grown an average of 1.3% annually over the last 10 years, outpacing population growth of 1.1% on average over the same period, which is further evidence of the broad employment base. Additionally, despite downsizing at the major telecommunications firms, many small and medium-sized companies, including computer and engineering companies, as well as spinoff 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.

Copyright © 2002 by Fitch, Inc. and Fitch Ratings, Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. All of the information contained herein is based on information obtained from issuers, other obligors, underwriters, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of any such information. As a result, the information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified, and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed, suspended, or withdrawn at any time for any reason at the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services Act of 1986 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.