

Tax Supported
New Issue

Monmouth County, New Jersey

Ratings

New Issues	
General Obligation Bonds, Series 2009A	AAA
Series 2009B	AAA
Outstanding Debt	
General Obligation Bonds	AAA
Monmouth County Improvement Authority, New Jersey County- Guaranteed Bonds	AAA

Rating Outlook

Stable

Analysts

Ann G. Flynn
+1 212 908-9152
ann.flynn@fitchratings.com

Christopher Hesslerthaler
+1 212 908-0773
christopher.hesslerthaler@fitchratings.com

New Issue Details

Sale Information: General Obligation Bonds consisting of \$44,790,000 Series 2009A, and \$26,385,000 Series 2009B, via competitive sale on Nov. 3. Series 2009B sold as Build America Bonds or tax-exempt.

Security: GO of the county payable from ad valorem taxes without limitation as to rate or amount.

Purpose: To fund various county capital improvements and acquisitions.

Final Maturity: Series A bonds: serially Nov. 1, 2010–2019; series B bonds serially Nov. 1, 2020–2024.

Related Research

- *State of New Jersey, April 8, 2008*
- *Monmouth County, New Jersey, Sept. 5, 2008*

Rating Rationale

- Monmouth County continues to benefit from strong financial management, flexibility, and operations.
- Debt levels are low to moderate, with rapid amortization.
- The county has above-average wealth, a growing tax base, and a guaranty of 100% of tax collections by the underlying municipalities.
- The county has experienced solid long-term population growth and a diversifying economic base.

Key Rating Drivers

- Continued pressure on the housing market potentially triggering declines in tax base.
- The ability to maintain financial flexibility in light of high fixed costs.

Credit Summary

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 Ratings 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 (MV) 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 8.6% in August 2009 remains below the state and national averages of 9.5% and 9.6%, 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

Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	10/20/09
AAA	Affirmed	Stable	10/14/09
AAA	Affirmed	Stable	11/4/08
AAA	Affirmed	Stable	9/3/08
AAA	Affirmed	Stable	2/19/08
AAA	Affirmed	Stable	9/5/07
AAA	Affirmed	Stable	6/8/05
AAA	Affirmed	—	5/15/03
AAA	Upgraded	—	8/5/97
AA+	Assigned	—	7/6/93

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 strongly 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 \$719 per capita and 0.369% of MV. Debt levels are more moderate on an overall basis, with debt per capita at \$3,253 and 1.62% of MV. If Monmouth County Improvement Authority debt is treated as non-self-supporting, the direct debt burden rises to a still low \$980 per capita, or 0.49% of MV and the overall net debt rises to a still moderate \$3,513 per capita and 1.75% 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 80% retired within 10 years.

Debt Statistics

(\$000)

This Issue	71,075
Outstanding Debt	349,269
Direct Debt	378,714
Overlapping Debt	1,627,417
Total Overall Debt	2,006,131

Debt Ratios

Direct Debt per Capita (\$) ^a	719
As a % of Market Value ^b	0.36
Overall Debt per Capita (\$) ^a	3,253
As a % of Market Value ^b	1.62

^aPopulation: 642,448 (2008 estimate).

^bMarket value: \$129,032,178,000 (2008). Note: Numbers may not add due to rounding.

General Fund Financial Summary

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

	2002	2003	2004	2005	2006	2007	2008
Revenues	394,617	404,549	426,183	451,386	458,457	478,628	480,157
Expenditures	390,177	396,623	419,542	438,339	453,427	473,283	484,676
Net Change	4,440	7,926	6,642	13,047	5,030	5,345	(4,519)
Transfers In/(Out)	(1,642)	(346)	(3,490)	(6,357)	(4,361)	(3,915)	885
Net Income/(Deficit)	2,798	7,580	3,152	6,690	669	1,430	(3,634)
Total Fund Balance	73,716	82,332	93,074	97,488	95,394	97,323	88,432
As % of Expenditures and Transfers Out	0.18	0.20	0.21	0.21	0.20	0.20	0.18
Unreserved Fund Balance	68,280	75,662	78,692	85,202	85,873	87,303	83,649
As % of Expenditures and Transfers Out	16.9	18.5	18.1	18.6	18.2	17.8	16.8

Note: Numbers may not add due to rounding.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Copyright © 2009 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 has been obtained from sources Fitch believes are reliable, but Fitch does not verify the truth or accuracy of the information. 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, not a recommendation to buy, sell, or hold any security.