

Tax Supported  
New Issue

## Monmouth County, New Jersey

### Ratings

#### New Issues

General Obligation General Improvement Bonds, Series 2005A ..	AAA
General Obligation County College Bonds, Series 2005B.....	AAA
General Obligation Utility Bonds, Series 2005C.....	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

Rating Outlook ..... Stable

\*Issued by Monmouth County Improvement Authority.

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#### New Issue Details

Approximately \$38,565,000 General Obligation (GO) Bonds, Series 2005, are scheduled to sell competitively on or about April 5. The bonds consist of \$27,035,000 GO General Improvement Bonds, Series 2005A, maturing serially Jan. 15, 2006–2020, \$4,530,000 GO County College Bonds, Series 2005B, maturing serially Jan. 15, 2006–2015, and \$7,000,000 GO Utility Bonds, Series 2005C, maturing serially Jan. 15, 2006–2017.

**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 county, college and utility purposes.

#### ■ Outlook

The 'AAA' rating reflects Monmouth 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. Monmouth County continues to experience positive employment growth and office vacancy rates well below the state average. Fund balances continued to grow in 2004 due to the county's conservative budget practices, expenditure controls, and healthy flow of revenue driven by a vibrant property tax base. The county's capital improvement program (CIP) has expanded but remains affordable, and although primarily debt funded, debt levels should remain moderate given the county's conservative debt policies, including rapid amortization rates. The Rating Outlook is Stable.

#### ■ Rating Considerations

Monmouth County is located along the northern Atlantic shore of New Jersey, 50 miles outside New York City. The 2000 census revealed an 11.3% population increase over the 1990 census, and the 2003 estimate of 622,986 exceeded state growth trends. Overall, employment, while still dominated by health care and retail, is diversifying, with significant gains in the construction, transportation/utilities, and finance sectors. The county's wealthy property tax base has expanded steadily and remains primarily residential at 82.3%. The assessable base grew a strong 8.6% annually over the past five years. Income levels remain strong, as indicated by the county's high market value per capita of \$144,686 in 2003, up 35% in one year. The county's unemployment rate of 4.1% in January 2005 was below the state's 5.2%.

The county's financial position is excellent. The 2004 unaudited unreserved fund balance was \$78.7 million, or 18.1% of expenditures. Overall, fund balances over the past five years have increased 7.2% 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 rising insurance costs. Like all counties in New Jersey, Monmouth County is guaranteed 100% property tax remittance by the municipalities, and in 2005, property tax revenues represented 69% of the county budget. The county maintains further financial flexibility through continued pay-as-you-go capital contributions, which averaged a healthy 3.5% of spending through 2004. Fiscal 2005 budget appropriations are 4.7% above the 2004 budget.

The county's direct debt burden is low at \$482 per capita and 0.33% of equalized value (EV). Debt levels are more moderate on an overall basis, with debt per capita at \$2,862 and 2.0% of EV. The county amortizes its debt very rapidly pursuant to county resolution.

April 4, 2005

Amortization rates actually are above the 70% policy, with 94% retired in 10 years. The six-year CIP totals \$310.8 million, an increase of 19.3% over last year's CIP. The increased costs are associated with conservative assumptions regarding rising construction material costs. While the county plans to fund the majority of the CIP with bonds, direct debt levels should remain affordable.

## ■ Strengths

- Continued strong financial management, flexibility, and operations.
- 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 diversifying 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 \$482 per capita and 0.33% of EV. Overall debt, including school and municipality debt but excluding local utility debt, which tends to be self-supporting, is more moderate at \$2,862 per capita and 2.0% of EV. The county's principal payout of non-utility debt is very rapid, with 62% retired in five years and 94% in 10 years.

Included in outstanding debt are taxable pension refunding bonds issued in 2003 in the amount of \$17.3 million. The pension bonds amortized the county's total outstanding pension liability related to early retirement initiatives offered by the county in 1991 and 2000. The county issued these bonds over a five-year term and reduced its interest cost from the 8.75% charged by the state to approximately 2.5%, saving an estimated \$4 million, which is a high net present value of 25% of the total outstanding liability. The county did not have any such pension bonds outstanding but refunded its outstanding liability as authorized by the state.

Monmouth County's 2005–2010 CIP, adopted by the freeholders' board, totals \$310.8 million, representing a significant 19% increase over last year's CIP. Although no new projects are added in the CIP, the county

## Debt Statistics

(\$000)

This Issuance (Net Refunding Portion)	38,565
Net Outstanding Debt	261,412
Net Direct Debt	299,977
Overlapping Debt	1,483,227
Total Overall Debt	1,783,204

## Debt Ratios

Net Direct Debt per Capita (\$)*	482
As % of Equalized Value**	0.33
Overall Debt per Capita (\$)*	2,862
As % of Equalized Value**	1.98

\*Population: 622,986 (2003).

\*\*Equalized value: \$90,137,099,000 (2005).

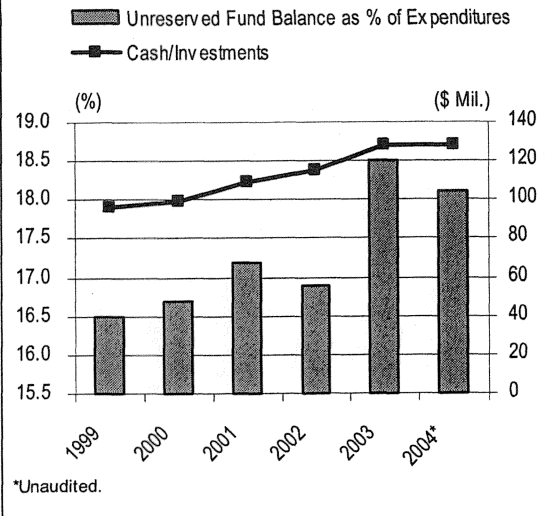
included conservative cost increases associated with escalating construction material prices. Despite the increase, the county's debt affordability model projects manageable debt levels to continue, with overall debt per capita reaching \$3,200 and 2.3% of EV by 2010. The county plans to finance 87% of the CIP with bonds and 13% with cash and intergovernmental funds. The county's infrastructure needs focus on buildings and grounds (34% of the CIP) and roads and bridges (28%).

The county maintains prudent debt management policies, including keeping a maximum debt service burden of 12% of current fund revenues, amortizing debt at a rate of at least 70% in 10 years, and preventing direct debt as a percentage of EV from exceeding 0.75%. In 2004, the county was well within all debt policy limits, and debt service represented 10.7% of the budget. Direct debt ratios should remain near current levels because of the rapid debt payout and strong tax base growth. While the county's pay-as-you-go capital appropriations typically have exceeded 3% of spending, 2004 pay-as-you-go levels dropped to \$11.5 million, or 2.8% of spending. However, the county's 2005 budget includes a 35% increase in pay-as-you-go spending, bringing it back up to 3.5% of overall expenditures.

## ■ 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 2004 surplus of \$3.2 million helped increase the unreserved fund balance to \$78.7 million, representing 18.1% of expenditures. The county's unreserved fund balance has grown an average of 7.2% annually over the past five years and has been consistently around 17% of expenditures.

**Current General Fund Summary**  
(Audited Years Ended Dec. 31)



The adopted 2005 budget upholds the county's practice of containing expenditures and conservatively estimating revenues. The \$435 million budget appropriations represent a manageable 4.7% growth rate over the 2004 budget. The 2005 budget growth is manageable given the county's record growth in assessed value (AV) in 2005 of 14.8% and the resultant tax levy increase. The two largest expense categories — health and welfare and public safety — are driving overall budget growth. The county's mounting insurance costs are of continuing concern; however, the county consistently reports expenditures under budget. Insurance expenses rose 7.1% in 2004, below the 17.5% that was budgeted. The county prudently included 16.6% growth in the 2005 budget. The largest expense category, health and welfare, accounts for \$93 million, or 20% of the 2005 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 cost growth. Additionally, more than 60% of health and welfare costs are offset by state and federal revenues received by the county for specific programs.

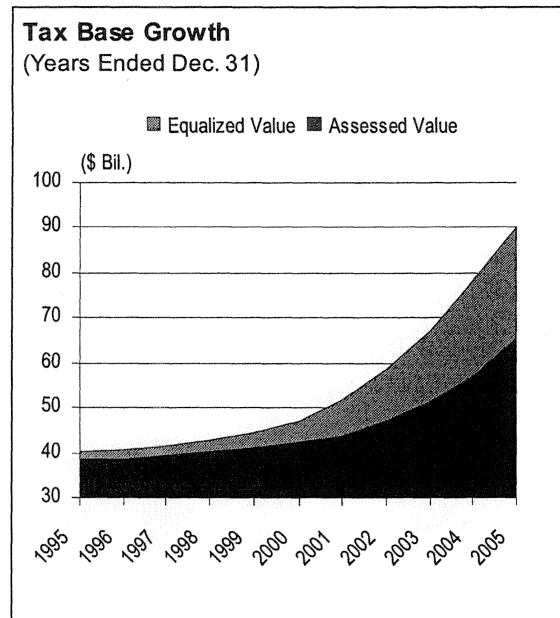
Property taxes constitute 61.2% of the county's annual current fund revenues (including post-adopted budget miscellaneous revenues and grants but excluding usage of fund balance moneys), with the remainder consisting of a combination of state and

federal grants and miscellaneous sources, including local revenues. The \$270 million tax levy for 2005 represents a 4.2% increase over 2004's level, the lowest annual increase in the past six years. The growth in the taxable property base as equalized by the state (EV) has been extremely strong, with four consecutive years of double-digit growth from 2002–2005. The 2005 AV growth of 14.8% should yield a record growth year in the total taxable base, as the AV growth in 2004 was 11.6%, and the EV growth was 16.1%. The county continues to decrease the tax rate, reaching \$3.00 per \$1,000 of AV in 2005, down from the decade high of \$4.55 per \$1,000 of AV in 1995. Tax collections, guaranteed by the county's municipalities, are 100% of the annual levy, providing a reliable and 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 maintain its competitiveness, 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. The county continues to raise tipping fees to reduce the fund's structural deficit. Following the significant 25% fund balance drop in 2001, financial flexibility was stabilized through 2004 at \$21 million, or more than 70% of system expenditures. Fund balance grew in 2004 to \$23 million, and an additional rate increase for 2005 (to \$60.50) should assure stability. The county has additional flexibility in its rate-raising ability up to the \$69.00 per ton level, after which freeholder board approval is required.

### ■ 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 census, surpassing the strong growth of the 1980s (9.9%) and making it one of the fastest growing counties in the state. Estimates for 2003 showed ongoing growth, as the 2003 population of 622,986 was 1.3% higher than the 2000 census figures.



Income levels remain above average and are growing relative to those of the state and nation. The county's 2002 per capita personal income of \$43,684 totaled 111% and 141% of state and national averages, respectively. In 1998, per capita personal income was 107% and 132% of state and national averages, respectively. The county's 2002 median household effective buying income of \$53,374 was 115% and 143% of state and national figures, respectively. Additionally, market value per capita is high and growing rapidly with the large jumps in AV. The \$144,686 figure for 2005 represents a 35% increase over 2004 figures and is especially significant given the larger residential tax base of the county, averaging 81% of AV over the past five years.

Consistent with the county's population growth and development, its 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 EV of property fell 3.2% in 1992 and 2.9% in 1993 due to the recession, but grew 27% from 1995-2000. Beginning in 2001, the county has experienced tremendous growth in its taxable base driven by residential and commercial investment both in shoreline communities and inland. From 2001-2005, EV grew an average 11.7%. The 2005 growth in AV is a recent record and should yield even greater EV growth for 2005 when the numbers are finalized. The strong construction market is further evidenced by the tremendous growth in the housing stock. In 2004, the median price of a new

single-family home in the county jumped a dramatic 45% in one year to \$700,000 and, according to the county, is above three times the national average. The survey of homes conducted excluded custom built homes, which would drive the median price even higher. The tax base has no concentration among its top 10 taxpayers, as they account for a minimal 1.3% of taxable AV.

The county maintains strong growth, and although the coastline is primarily built out, the western portion of the county is showing significant development. While construction as a percentage of EV has shown slight signs of slowing from the boom years of the late 1990s, it is likely a factor of record high AV growth from turnover of existing homes outpacing the still-active construction market. 2004 building permit values represented 0.7% of EV, just slightly less than the 1% average of the past few years. While residential permits continue to drive the construction market, commercial development remains steady. Residential permits represented 68% of the total in 1998 and grew to 72% in 2004. Despite some signs of diversification, the county will likely maintain the residential-dominated tax base. However, with high income levels and steady commercial development, the county's cost structure will remain more than manageable.

The county unemployment rate, following an increase to 5.8% (the state average) in 2002, has returned to below the state and national averages, reaching 4.2% in 2004. Approximately two-thirds of Monmouth County's labor force works within the 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 (43%) and trade (16%) compared with those 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 below age 65, compared with 2.7% in New Jersey overall. Government sector employment 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 as a result of nationwide base closings, is the county's third largest employer.

Both bases have seen increased activity over the past year and remain active employers and economic drivers in the county.

Meridian Health System, the county's largest employer, includes the Jersey Shore and Riverview Medical Centers. In 2003, Meridian's employee base was 7,500. Other top employers include AT&T, the county, and Foodarama supermarkets. Lucent Technologies Inc. (Lucent) is still one of the top 10 employers but, with 1,331 employees in 2004 (down from 2,800 two years ago), has dropped to the tenth position from third. Despite shifts among the top employers, county employment grew an average of 1.3% annually over the 1990-2000 decennial census years, outpacing average population growth of 1.1%

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, engineering, and spin-off companies spurred by AT&T and Lucent, have provided additional jobs. Adding to the telecommunication sector will be Vonage, Inc. with a recent announcement of a 300,000-square-foot facility center employing 1,000 people, with plans to double the work force over the near term. Future growth will most likely center on services, particularly retail and health care. Horizon Blue Cross/Blue Shield recently opened a new 200,000-square-foot facility in Wall Township set to accommodate 1,000 employees.

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