

Tax Supported  
New IssueMonmouth County and Monmouth  
County Improvement Authority,  
New Jersey**Ratings**

New Issues	
Monmouth County, NJ General Obligation Bonds, Series 2010A (Build America Bonds or Tax-Exempt or both)	AAA
Monmouth County, NJ General Obligation Bonds, Series 2010B (Taxable)	AAA
Monmouth County, NJ General Obligation Bonds, Series 2010C (Tax-Exempt)	AAA
Monmouth County Improvement Authority (MCIA), Governmental Pooled Loan Revenue Bonds, Series 2010 (County Guaranty)	AAA
Outstanding Debt	
Monmouth County, New Jersey General Obligations Bonds	AAA
Monmouth County Improvement Authority New Jersey General Obligations Bonds (County Guaranty)	AAA

**Rating Outlook**

Stable

**Analysts**

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**New Issue Details**

Sale Information: \$29,225,000 Monmouth County, NJ General Obligation Bonds, Series 2010A (Build America Bonds or Tax-Exempt or both), \$20,775,000 Monmouth County, NJ General Obligation Bonds, Series 2010B (Taxable), \$33,255,000 Monmouth County, NJ General Obligation Bonds, Series 2010C (Tax-Exempt), competitively on Dec. 2; and \$11,805,000 Monmouth County Improvement Authority (MCIA), Governmental Pooled Loan Revenue Bonds, Series 2010 (County Guaranty), via negotiation on Dec. 7.

**Rating Rationale**

- Monmouth County continues to benefit from strong conservative management, financial flexibility, and stable operations.
- Debt levels are low to moderate, with rapid amortization, coupled with manageable pension and other post-employment (OPEB) liabilities.
- The county has above-average wealth levels, 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**

- Management's ability to control expenditures in light of rising fixed costs will be key to maintaining strong reserve levels consistent with the high rating.

**Credit Summary**

The county's solid financial management has resulted in continued strong operations and financial flexibility, stable growth in its tax base, and low direct debt levels with rapid amortization. Fitch Ratings expects the county to 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 notable draw in fiscal 2009, fund balances remain sound due to the county's conservative budget practices, expenditure controls, and healthy flow of revenue driven by an expanding property tax base. The county's capital plan has been reduced and remains affordable, and although primarily bond funded, debt levels should remain modest 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

**Considerations for Taxable Bond Investors**

This sector credit profile is provided as background for investors new to the municipal market.

**Local Government General Obligation Bonds**

The unlimited taxing power of most local government general obligation pledges is the broadest security a U.S. local government can provide to the repayment of its long-term borrowing and, therefore, is the best indicator of its overall credit quality. The average local government general obligation rating is 'AA', with approximately 85% rated at or above 'AA-' and 1% rated 'BBB+' or below. The relatively high ratings reflect local governments' inherent strengths: the authority to levy property taxes, nonpayment of which can result in property foreclosures; additional taxing power that can include sales, utility, and income taxes; and essentiality of and lack of competition for services provided by local governments. Those with low investment-grade or below-investment-grade ratings generally have a combination of a limited or highly volatile economic base, high levels of long-term liabilities, including debt and post-employment benefits, and/or unusually limited financial flexibility. For additional information on these ratings, see "U.S. Local Government Tax-Supported Rating Criteria," dated Oct. 8, 2010 and available on Fitch's Web site at [www.fitchratings.com](http://www.fitchratings.com).

## New Issue Details (continued)

**Security:** County bonds secured by the county's full faith and credit and unlimited taxing authority; the MCIA bonds a direct and general obligation of the county, secured by its unlimited taxing authority.

**Purpose:** To finance various capital projects and refund previous government pooled bonds.

**Final Maturity:** The county bonds mature serially through 2029; the MCIA bonds mature serially through 2025.

## Related Research

For information on Build America Bonds, visit [www.fitchratings.com/BABs](http://www.fitchratings.com/BABs).

### Applicable Criteria

- *Tax-Supported Rating Criteria, Aug. 16, 2010*
- *U.S. Local Government Tax-Supported Rating Criteria, Oct. 8, 2010*

### Other Research

*Monmouth County Improvement Authority, NJ, October 21, 2009*

outside of New York City. Wealth levels remain strong, as demonstrated by the county's levels exceeding the state averages, with median household income at 118% and per capita income at 110% of the state levels. While the healthcare 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 8.0% in September 2010 remains below the state and national averages of 8.9% and 9.2%, respectively.

With the 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 the education, healthcare, professional, 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.

## Debt Statistics

(\$000)

This Issue	62,095
Outstanding Debt	492,516
Self-Supporting	(18,717)
Net Direct Debt	535,894
Overlapping Debt	777,384
Total Overall Debt	1,313,278

## Debt Ratios

Direct Debt Per Capita (\$) <sup>a</sup>	832
As % of Market Value <sup>b</sup>	0.4
Overall Debt Per Capita (\$) <sup>a</sup>	2,039
As % of Market Value <sup>b</sup>	1.0

<sup>a</sup>Population: 644,105 (2009).

<sup>b</sup>Market value: \$129,032,179 (2009).

Note: Numbers may not add due to rounding.

## General Fund Financial Summary

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

	2005	2006	2007	2008	2009
Total Tax Revenue	269,650	278,540	286,504	286,504	294,784
General Fund Revenue	451,386	458,457	478,628	480,157	494,535
General Fund Expenditures	438,339	453,427	473,283	484,676	491,805
Operating Surplus	13,047	5,030	5,345	(4,519)	2,730
Other Net Adjustments	(6,357)	(4,361)	(3,915)	885	(2,615)
Net Surplus/(Deficit)	6,690	669	1,430	(3,634)	115
Total Fund Balance	97,488	95,394	97,323	88,432	83,764
As % of Expenditures, Transfers Out, and Other Uses	21.3	20.2	19.8	17.7	16.4
Unreserved Fund Balance	85,202	85,873	87,303	83,649	83,764
As % of Expenditures, Transfers Out, and Other Uses	18.6	18.2	17.8	16.8	16.4

Note: Numbers may not add due to rounding.

The county's financial position remains stable, with 2009 unreserved fund balance at \$83.8 million, or 16.4% of expenditures. However, the county projects a notable drawdown of \$11.8 million of reserves for 2010 but expects reserve levels to remain above 14% of expenditures. In addition, the county forecasts essentially break-even operations for 2011 without usage of reserves. Despite consistent budgeting of a portion of reserves, the county's operations remain supported by conservative budgeting and effective expenditure controls.

The county's direct debt burden is low at \$832 per capita and 0.4% of market value (MV). Debt levels are more moderate on an overall basis, with debt per capita at \$2,031 and 1.0 of MV. Pursuant to county resolution, county debt is amortized very rapidly,

## Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	11/23/10
AAA	Affirmed	Stable	1/25/10
AAA	Affirmed	Stable	12/11/09
AAA	Affirmed	Stable	10/20/09
AAA	Affirmed	Stable	10/14/09
AAA	Affirmed	Stable	12/8/08
AAA	Affirmed	Stable	11/4/08
AAA	Affirmed	Stable	9/3/08
AAA	Affirmed	Stable	2/19/08
AAA	Affirmed	Stable	9/10/07
AAA	Affirmed	Stable	9/5/07
AAA	Affirmed	Stable	5/19/06
AAA	Affirmed	Stable	2/10/06
AAA	Affirmed	Stable	2/10/06
AAA	Affirmed	Stable	7/8/05
AAA	Affirmed	Stable	3/30/05
AAA	Affirmed	Stable	7/3/03
AAA	Assigned	Stable	5/15/03

providing ample capacity in future years for continued capital investment. Amortization rates are comfortably above the county's 70% policy, with almost 89% retired in 10 years. The township is prudently fully funding its annual required contribution for pensions and is partially funding other OPEB on a pay-as-you-go basis.

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