

Monmouth County, New Jersey

General Obligation Bonds New Issue Report

Ratings

New Issue

General Obligation Bonds,
Series 2012 AAA

Outstanding Debt

Monmouth County, New Jersey
Bonds AAA

Monmouth County Improvement
Authority New Jersey Bonds AAA

Rating Outlook

Stable

New Issue Details

Sale Information: \$97,800,000 General Obligation Bonds, Series 2012, via competitive sale on June 20.

Security: The full faith and credit and taxing power of Monmouth County, without limitation as to rate or amount.

Purpose: To finance various improvements.

Final Maturity: Jan. 15, 2027.

Key Rating Drivers

Healthy Economy: The county is positively situated in the greater New York metropolitan area with 27 miles of Atlantic coastline and benefits from high income levels and a diversified economy.

Moderate Debt Levels: County debt levels are manageable, with very rapid amortization.

Strong But Weakening Finances: The county maintains a comfortable fund balance level despite noticeable declines over the past three years.

Aggressive Cost Cutting: County management has actively sought expenditure reductions through layoffs, shared services, and reduced capital expenses.

County Guarantee: The Monmouth County Improvement Authority (MCIA) rating is based on the underlying general obligation guarantee of the county, which provides robust security for the MCIA bonds.

Related Research

[Fitch Rates Monmouth County, NJ's GOs 'AAA'; Outlook Stable, June 14, 2012](#)

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Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	6/14/12
AAA	Affirmed	Stable	4/16/12
AAA	Affirmed	Stable	12/8/11
AAA	Affirmed	Stable	9/28/11
AAA	Affirmed	Stable	12/23/10
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	11/04/08
AAA	Affirmed	Stable	9/3/08
AAA	Affirmed	Stable	2/9/08
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	7/8/05
AAA	Affirmed	Stable	3/30/05
AAA	Affirmed	Stable	7/3/03
AAA	Assigned	Stable	5/13/03

Credit Profile

Proximity to New York City Creates Strong Economic Core

Monmouth County is located along the northern Atlantic Ocean shore of New Jersey, 50 miles outside of New York City. Wealth levels exceed state averages, with median household income and per capita income at 118% of state levels and well above national 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 8.8% in March 2012 is comparable to the state and national averages of 9.3% and 8.4%, respectively.

In response to the closure of Fort Monmouth in September 2011, the Fort Monmouth Economic Revitalization Commission is exploring redevelopment options. Steps towards this end include the planned relocation of Commvault, a backup software company, from another location in the county to a larger space at the fort where it will add 2,500 jobs. Fitch Ratings believes the county's ability to withstand the base closure is strong, as the economy is deeply diversified, providing opportunities for the approximately 5,500 highly skilled displaced employees.

General Fund Financial Summary

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

	2006	2007	2008	2009	2010
Property Tax Revenue	278,540	286,504	286,504	294,784	302,475
General Fund Revenue	458,457	478,628	480,157	494,536	497,609
General Fund Expenditures	453,427	473,283	484,676	491,805	503,825
General Fund Surplus	5,030	5,345	(4,519)	2,731	(6,216)
Other Net Adjustments	(4,361)	(3,915)	885	(2,615)	(727)
Net Surplus/(Deficit)	669	1,430	(3,634)	116	(6,943)
Total Fund Balance	95,394	97,323	88,432	87,302	80,382
As % of Expenditures, Transfers Out, and Other Uses	20.2	19.8	17.7	17.1	16.0
Unreserved Fund Balance	85,873	87,303	83,649	83,764	76,821
As % of Expenditures, Transfers Out, and Other Uses	18.2	17.8	16.8	17.1	15.2

Note: Numbers may not add due to rounding.

Financial Resources Sound Despite Some Use of Fund Balance

The county's financial position has deteriorated somewhat, with 2010 unreserved fund balance in the current fund at \$76.8 million, or 15.2% of expenditures, a \$6.9 million decline from 2009. The county's unaudited 2011 results show a \$7.4 million reduction in unreserved fund balance, reducing it to approximately 13.8% of expenditures. This decline is largely the result of a \$7.6 million transfer from the current fund to the grant fund in advance of receipt of grant funding. The county anticipates receiving the grant funding and reimbursing the general fund in the near future. Without reserving these funds, the unreserved fund balance would increase approximately \$0.3 million from its 2010 level.

Active Expense Management Key to Financial Flexibility

The county expects to achieve balanced operations or a small deficit in 2012. Fitch believes this is a reasonable expectation, and the achievement of this goal is key to the maintenance of the current rating level. The adopted budget is \$4 million smaller than the 2011 budget and features no tax increase for the second year in a row. The county's tax rates are among the

Related Criteria

[U.S. Local Government Tax-Supported Rating Criteria, Aug. 15, 2011](#)

[Tax-Supported Rating Criteria, Aug. 15, 2011](#)

lowest in the state, and the county is guaranteed 100% tax collections by its underlying municipalities. Approximately 58% of the county's revenues come from property taxes.

The county has been actively looking for ways to reduce expenses. It has implemented a number of cost-reduction policies, including layoffs and hiring freezes, consolidating services, the elimination of programs, outsourcing, and a reduction in capital projects. Additionally, the county has increased employee contributions for health care.

Moderate Debt Burden with Rapid Amortization

The county's overall debt burden basis is manageable, with overall debt per capita at \$3,582 and 1.9% of market value, primarily made up of overlapping debt. Pursuant to county resolution, 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 88% retired in 10 years. Debt service payments constitute 12% of expenditures.

Pursuant to state law, municipal payment deficiencies are ultimately guaranteed by the county upon notification by the authority of a debt service shortfall. The authority provides sufficient notification to the county to meet its debt service guarantee in a timely manner. The county has never needed to fulfill its pledge to support debt issued through the MCIA.

Debt Statistics

(\$000)	
This Issue	97,800
Outstanding Direct Debt	610,221
Total Net Direct Debt	708,021
Overlapping Debt	1,552,252
Total Overall Debt	2,260,273
Debt Ratios	
Net Direct Debt Per Capita (\$) ^a	1,122
As % of Market Value ^b	0.6
Overall Debt Per Capita (\$) ^a	3,582
As % of Market Value ^b	1.9

^aPopulation: 631,020 (2011). ^bMarket value: \$121,128,479,054 (2011). Note: Numbers may not add due to rounding.

Slightly Weak Funding of Pension Plans

The county participates in two state-run pension plans, Public Employees Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) and is fully funding its annual required contribution as dictated by the state. Both plans have slightly weak Fitch-adjusted funding levels as of June 30, 2011, with PERS at 67.1% and PFRS at 68.5%. Other post-employment benefits (OPEB) and pension payments are a manageable 5.1% and 1.7% of expenditures, respectively. OPEB is funded on a pay-as-you-go basis. OPEB payments are expected to decline over time as employees hired after July 1, 1994 will not receive paid health care benefits when they retire.

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