

# RatingsDirect®

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## Summary:

# Monmouth County Improvement Authority, New Jersey Monmouth County; General Obligation; General Obligation Equivalent Security

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## Summary:

# Monmouth County Improvement Authority, New Jersey

## Monmouth County; General Obligation; General Obligation Equivalent Security

### Credit Profile

US\$9.14 mil wastewater treatment facs lse rev rfdg bnds, fed taxable (Asbury Pk Proj) ser 2014B due 12/15/2020		
<i>Long Term Rating</i>	AAA/Stable	New
US\$2.81 mil wastewater treatment facs lse rev rfdg bnds, tax-ex (Asbury Pk Proj) ser 2014A due 12/15/2020		
<i>Long Term Rating</i>	AAA/Stable	New
Monmouth Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

### Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to the Monmouth County Improvement Authority, N.J.'s series 2014 wastewater treatment facilities lease revenue bonds (Asbury Park Project), which is guaranteed by Monmouth County. At the same time, we affirmed our 'AAA' rating on the authority's existing appropriation debt, also supported by the county, and the county's general obligation (GO) bonds. The outlook is stable.

The county's unconditional and irrevocable GO guarantee ultimately secures the bonds. Officials intend to use bond proceeds to refund series 2005A and B Asbury Park wastewater treatment facilities lease revenue bonds.

The rating reflects our assessment of the following factors for the county:

- Very strong economy, with access to the northern New Jersey, New York City, and Philadelphia metropolitan statistical area (MSA) employment centers;
- Very strong budgetary flexibility with 2013 audited reserves at 14.5% of current fund expenditures;
- Strong budgetary performance;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Very strong management with strong financial policies; and
- Adequate debt and contingent liability profile.

### Very strong economy

We consider Monmouth County's economy to be very strong due to its participation in the broad and diverse New York-Newark-Jersey City MSA and an unemployment rate averaging 7.5% in 2013. The county has a projected per capita effective buying income of 157.3% of the U.S and a 2013 per capita market value of \$175,583. Assessed value (AV) decreased at an average annualized rate of 1.8% between 2010 and 2013 to \$102 billion due, in part, to property loss and damage related to Hurricane Sandy. Several residential developments are currently underway that should

stabilize the tax base and provide additional revenues for the county.

### **Very strong budget flexibility**

The county's budgetary flexibility remains very strong, with the current fund balance averaging about 13% of expenditures for the past three years. For audited fiscal 2013, the balance stood at \$76.2 million, or 14.5% of expenditures. The current fund balance was bolstered in 2013 after interfund loans from the current fund to the grant fund were reimbursed. We understand the county has not raised its tax levy since fiscal 2010 and, as a result, has a significant amount of banked levy capacity—nearly \$20 million. Management reports the board has favored cost-cutting measures and shared service agreements over tax increases. The 2014 budget includes \$43 million in fund balance utilization. However, due to a planned drawdown, management believes that about \$16 million may not be replenished, thereby reducing the ending fund balance to \$60 million, or 12.5% of budgeted expenditures.

### **Strong budgetary performance**

The county's budgetary performance has been strong overall, in our view, despite slight deficits of 0.6% for the current fund in fiscal 2013 and total governmental funds. We consider the current fund and trust funds for library, health, and open space funds in our evaluation of total governmental funds. Since 2011, the county has consistently reduced its budget by roughly 1% through improved efficiency and savings through attrition. The 2014 budget totals \$480 million and includes \$43 million in surplus anticipation that represents a 7% reduction from the prior year. Management is projecting that only \$27 million may be replenished at the end of the year. Property taxes account for nearly 60% of fiscal 2013 current fund revenues. Individual municipalities collect county taxes and pay them to the county quarterly. These municipalities guarantee 100% of the county's tax levy.

### **Very strong liquidity**

Supporting the county's finances is liquidity we consider very strong, with current fund available cash at 21.5% of total governmental fund expenditures and 221.1% of debt service. These ratios would be even higher were we to include the cash in the county's trust funds for library, health, and open space, and the reclamation center utility fund available for interfund borrowing if needed. We believe the county has strong access to external liquidity given that it has issued GO bonds frequently during the past 15 years.

### **Very strong management conditions**

We view management conditions as very strong with strong financial practices. Policy highlights include the annual adoption of a five-year capital improvement program that identifies the expenditures and related funding sources. The county has a policy that limits debt according to several different metrics, including requiring 70% of net tax-supported debt be retired in 10 years. The reserve policy requires the current fund balance be maintained at a minimum of 7% of revenue.

### **Strong debt and contingent liability profile**

In our opinion, the county's debt and contingent liability profile is strong net of debt guaranteed by the county and self-support utility debt. As such, total governmental fund debt service is at 9.7% of total governmental fund expenditures, and net direct debt at 87.3% of total governmental fund revenue. The county expects to issue or guarantee about \$140 million of GO bonds in the next two to three years. Overall net debt is 1.9% of market value.

Eligible county employees participate in pension systems administered by the state of New Jersey. The annual

required contribution for pensions in fiscal 2012 and other postemployment benefit (OPEB) pay-as you-go costs for fiscal 2013 totaled less than 6% of expenditures. The county's unfunded actuarial accrued OPEB liability is \$436 million.

### Strong institutional framework

We consider the Institutional Framework score for New Jersey counties strong.

## Outlook

The stable outlook on the long-term rating reflects our view of Monmouth County's consistent financial performance and economy, which is supported by strong management. We do not expect to revise the rating in the next two years because we believe the county will maintain adequate reserves and continue to participate in the broad and diverse New York-Newark-Jersey City MSA.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

### Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: New Jersey Local Governments

### Ratings Detail (As Of August 4, 2014)

#### Monmouth Cnty Imp Auth, New Jersey

Monmouth Cnty, New Jersey

Monmouth Cnty Imp Auth (Monmouth Cnty) capital equipment pooled lse rev bnds

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Monmouth Cnty Imp Auth (Monmouth Cnty) governmental pooled ln rev bnds (Monmouth Cnty) ser 2013B due 12/01/2033

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Monmouth Cnty Imp Auth (Monmouth Cnty) GO

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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