

Summary:

Monmouth County, New Jersey; General Obligation; General Obligation Equivalent Security

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Credit Profile		
US\$33.255 mil GO rfdg bnds ser 2010C due 03/01/2018		
<i>Long Term Rating</i>	AAA/Stable	New
US\$29.225 mil GO bnds ser 2010A due 12/01/2020		
<i>Long Term Rating</i>	AAA/Stable	New
US\$20.775 mil GO imp bnds (Recov Zone Econ Dev Bnds) ser 2010B due 12/01/2025		
<i>Long Term Rating</i>	AAA/Stable	New
Monmouth Cnty		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating and stable outlook to Monmouth County, N.J.'s series 2010A general obligation (GO) bonds, series 2010B general improvement bonds, and series 2010C GO refunding bonds.

The rating reflects our view of the county's:

- Strong local economy, anchored by service, retail trade, and health care industries;
- Wealthy property tax base that provides nearly 60% of the county's revenues;
- Income levels that exceed both state and national levels;
- Consistently strong and conservative financial management, evidenced by regular operating surpluses and high current fund balances; and
- Moderate to low overall debt burden.

The series 2010 bonds are general obligations of the county, secured by its full faith and credit pledge. The county intends to issue all or a portion of the series 2010A bonds as Build America Bonds and all of the series 2010B bonds as Recovery Zone Economic Development Bonds. Interest on the 2010A and 2010B bonds is payable semiannually (on Dec. 1 and June 1 until maturity or prior redemption) and principal is scheduled to amortize annually. It is our understanding that the county will abate a portion of the levy for the interest credit amount. If the payments from the federal government are delayed, the county will use funds on hand to cover that portion of the interest payment. For the past few years, the county has had sufficient liquidity to cover the anticipated interest amounts (to be paid from the credit) by the due dates. Standard & Poor's expects that sufficient funds will be available to cover any late payments of the interest credit from the federal government.

Monmouth County, with a population of approximately 644,000, is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. It is an affluent residential community that increasingly serves as a

commuting hub for the greater New York City area employment base. Significant job opportunities also exist within the county, primarily in the services and retail trade sectors. While unemployment averaged 8% as of September 2010 (preliminary), it remains below state and national averages.

After several years of what we consider very strong growth, the county's equalized valuation has begun to show signs of weakness; it declined 2.6% year-over-year in 2010 to \$125.7 billion. The weakness may be short-lived, however, as management reports there are early signs of a gradual stabilization in the local housing market. The county's market value per capita remained extremely strong despite the equalized valuation decline at about \$195,000. Approximately 83% of the county's assessed valuation (\$107.9 billion in 2010) consists of residential properties, which we believe provides stability in the tax base. Median household effective buying income is very strong, in our view, at 144% of the national average.

The county's financial operations have been consistently strong, in our opinion, with available reserve levels of more than 15% in the past five years. Audited results for fiscal year-end 2009 (Dec. 31) showed a \$115,000 surplus in the fund balance on the county's \$510 million operating budget. The 2009 year-end unreserved fund balance remained strong, in our view, at \$83.8 million, or 16.4% of expenditures. Management appropriated \$44.9 million of reserves to balance the 2009 budget and closed the gap through conservative assumptions, better-than-projected revenue collections, and budgetary changes. The 2010 budget appropriates an equal amount of reserves, and management projects a year-end drawdown of \$11.6 million. The largely residential property tax base, which provides nearly 60% of total revenues, provides stability.

The county's estimated overall debt burden, including overlapping municipal and school debt, as well as Monmouth County Improvement Authority debt expected to be issued within the next month, is about \$4,100 per capita and 2.1% of full market value. We believe these indicators are moderate and low, respectively. Consistent with the county's debt management policies, debt service carrying charges have historically been moderate, between 8% and 10% of expenses in recent years. The five-year capital improvement plan (CIP) calls for \$483 million, of which \$378 million is expected to be financed through future debt and \$105 million is anticipated to be paid from cash and grants. Management expects the county to revise the CIP downward given the softer economy.

Outlook

The stable outlook reflects our view of the county's strong economy and financial management and performance. The county's high income levels and property wealth, coupled with a sizable tax base, provide further rating stability. The stable outlook assumes that the county's strong financial position, as primarily measured by healthy current fund balance reserves, will be maintained, and that the county will prudently manage its CIP and debt. While revenue volatility due to the economic slowdown will likely cause the county to use its fund balance in fiscal 2010, we believe that the fundamental strength of the county and regional employment base will provide for future growth of the tax base and corollary stabilization of fund balance.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of December 1, 2010)

Summary: Monmouth County, New Jersey; General Obligation; General Obligation Equivalent Security

Ratings Detail (As Of December 1, 2010) (cont.)		
Monmouth Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Monmouth Cnty Imp Auth, New Jersey		
Monmouth Cnty, New Jersey		
Monmouth Cnty Imp Auth (Monmouth Cnty) GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

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