

CREDIT OPINION

2 September 2022



Send Your Feedback

Contacts

Susanne Siebel +1.212.553.1809
 AVP-Analyst
 susanne.siebel@moodys.com

Nicholas Lehman +1.617.535.7694
 VP-Senior Analyst
 nicholas.lehman@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454

Monmouth (County of) NJ

Update to credit analysis

Summary

Monmouth County (Aaa stable) is in a strong economic position. The county benefits from a very large, wealthy tax base with easy access to New York City (Aa2 stable). The county's reserves are satisfactory and has healthy liquidity in and outside of the Current Fund. Fiscal 2022 operations are trending well to budget. The county's debt burden is low even when including a sizeable portfolio of guaranteed debt. Total fixed costs are manageable.

Credit strengths

- » Large, suburban tax base with above-average resident wealth and income
- » Satisfactory financial position

Credit challenges

- » Significant portfolio of guaranteed debt

Rating outlook

The stable outlook reflects our expectation that the county's finances will remain strong despite the impact of the pandemic. The outlook also takes into account the county's very large, diverse tax base and strong resident wealth.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Significant contraction of the county's economy
- » Material increase in leverage
- » Sustained structural imbalance leading to material draws in reserves

Key indicators

Exhibit 1

Monmouth (County of) NJ	2017	2018	2019	2020	2021
Economy/Tax Base					
Total Full Value (\$000)	\$118,116,055	\$122,311,379	\$127,912,566	\$131,918,703	\$135,837,630
Population	627,551	623,387	621,659	620,821	N/A
Full Value Per Capita	\$188,217	\$196,205	\$205,760	\$212,491	N/A
Median Family Income (% of US Median)	162.4%	161.7%	161.5%	163.3%	N/A
Finances					
Operating Revenue (\$000)	\$479,697	\$481,917	\$513,954	\$597,696	\$661,614
Fund Balance (\$000)	\$97,786	\$92,342	\$92,308	\$93,501	\$94,740
Cash Balance (\$000)	\$122,376	\$118,886	\$114,827	\$118,000	\$120,328
Fund Balance as a % of Revenues	20.4%	19.2%	18.0%	15.6%	14.3%
Cash Balance as a % of Revenues	25.5%	24.7%	22.3%	19.7%	18.2%
Debt/Pensions					
Net Direct Debt (\$000)	\$866,070	\$910,510	\$1,102,975	\$1,114,490	\$1,097,350
3-Year Average of Moody's ANPL (\$000)	\$853,232	\$865,134	\$848,229	\$944,605	\$994,273
Net Direct Debt / Full Value (%)	0.7%	0.7%	0.9%	0.8%	0.8%
Net Direct Debt / Operating Revenues (x)	1.8x	1.9x	2.1x	1.9x	1.7x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.7%	0.7%	0.7%	0.7%	0.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.8x	1.8x	1.7x	1.6x	1.5x

Source: Moody's Investors Service; US Census; county financial statements

Profile

Monmouth County is located in central New Jersey (A2 stable) and has a population of about 643,615.

Detailed credit considerations

Economy and tax base: Large, affluent tax base in proximity to New York City

The county's tax base will remain sizeable and stable in the near to medium term given ongoing development and a favorable location. Monmouth County, located within easy commuting distance of New York City, with excellent connections via road and mass transit, has a broad and diverse tax base. The county's tax base has grown for seven consecutive years, resulting in a tax base of \$146.4 billion in 2022. Its five-year average annual growth rate is a strong 4.4%. Management reports a considerable amount of ongoing redevelopment activity in both the residential and commercial sectors. The county also benefits from its extensive beachfront on the Atlantic Ocean, which is a major driver of the county's thriving tourism industry.

The county is consistently listed among the wealthiest in the nation with a median family income equal to 163% of the national median or 124.7% of the state median and an equalized value per capita of \$235,887 (2022). The pandemic has had only a limited impact on the county's economy. After spiking sharply, the unemployment rate has come down and, as of June 2022 was 3%, still lower than state (3.5%) and the national rates (3.8%).

Finances operations and reserves: Strong finances with stable reserve position

The county's financial position should remain strong in the medium term as management continues to budget conservatively. In 2021, current fund balance increased to \$70.4 million, or 10.6% of revenues from \$63.1 million, or 10.6% of revenues. Moody's makes certain adjustments to New Jersey local governments' fund balances to include receivables and reserves that would be eligible to be included

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

in fund balance under GAAP accounting but are excluded as a result of state statutory accounting regulations. The county's Moody's-adjusted Current Fund Balance was also increased to \$94.8 million or 14.3% of revenues.

The county's fund balance, on a Moody's-adjusted basis, is low for the Aaa rating category, however, the 2020 and 2021 percentages are misleadingly low. This is because the county's 2020 revenue figure includes \$108 million in CARES Act funds, much of which was used for the benefit of its municipalities. In 2021, the county's current fund recognizes \$114 million in one-time funds related to a bridge replacement in the county.

Prior to the 2020 increase, the current fund had been declining for several years. The drawdowns have, however, been planned for several years and relate to the December 2015 sale of two of its nursing homes in a public competitive bid for \$32.4 million, the bulk of which was put into reserves. In addition to the one-time gain, the sale eliminated an expensive operation that was responsible for annual operating losses of approximately \$8.2 million. Proceeds of the sale were used to bolster reserves. The county, however, expressed an interest in keeping reported fund balance in the mid \$50 million range going forward and intends to draw down reserves over the next several years until the target is reached. The drawdowns will be used to provide taxpayer relief.

Although the drawdowns have been planned for years, the actual execution has been very slow. This is due to the strong financial management of the county with its conservative budgeting and perennial efforts to improve efficiency. The county's fixed costs including debt service, pensions, and OPEB are moderate at \$109 million, or 17% of revenues.

The fiscal 2022 budget includes a flat property tax levy from fiscal 2021. Year-to-date, the county is reporting that operations are close to budget. By the end of the year, the county is expecting a very modest deficit.

Liquidity

The county's liquidity is healthy. In 2021 the county ended with Current Fund cash of \$120 million, or 18.2% of revenues. In addition, the county maintains considerable liquidity in its trust funds. Although these funds are restricted for various purposes, in an emergency much of these funds could be borrowed. As of the end of 2021, the trust funds contained just under \$146 million. As mentioned above, for 2021, the county received large amounts of ARPA money, so liquidity is even stronger.

Debt and Pensions: Substantial portfolio of guaranteed debt and above-average pension burden

Monmouth County's debt burden will remain moderate over the medium term. The net direct debt burden is 0.7% of equalized value. Management intends to continue issuing debt in accordance with its standing capital plan, though it is delaying various projects as part of an efficiency campaign. The county also intends to guarantee debt for a number its municipalities.

Legal security

The bonds are ultimately backed by the county's general obligation unlimited tax pledge via the provisions of a county guaranty. Under the guaranty, the county shall be unconditionally and irrevocably obligated to levy ad valorem taxes for the payment of debt service, without limitation as to rate or amount.

Debt structure

All of the county's long-term debt is fixed rate.

Approximately half of the county's debt was issued by the Monmouth County Improvement Authority (MCIA). While MCIA revenues are sufficient to pay debt service, the bonds are ultimately secured by the county. The county also guarantees a small amount of self-supporting utilities debt.

The proceeds of the MCIA bonds were lent to municipalities within the county for capital projects, and the repayment of the bonds is supported by the full faith and credit of each of the borrowers, as well as by the county's guarantee. Should the county have to cover a significant portion of MCIA payments it could pressure the county's financial position, although we view such an outcome as unlikely. The county has never had to cover a missed payment.

Debt-related derivatives

The county is not party to any derivatives.

Pensions and OPEB

The county pension burden is comparable to its debt and, though manageable at this time, represents a potential future credit challenge. The county participates in two state sponsored multiple employer cost-sharing pension plans and funds retiree healthcare (OPEB) on a pay-go basis. The table below summarizes the total 2021 pension and OPEB contributions and unfunded liabilities.

The state-sponsored boards, which control the pension funds have historically set contribution rates at a level insufficient to allow the plans to tread water. In addition, the tread water gap does not take into account the very aggressive assumptions underpinning the actuarial analysis, which likely would make the gap even larger. To the extent that the multiple-employer pension plans in which Monmouth County participates experience returns on assets that fall short of their assumptions, the county's required pension contribution will increase.

Exhibit 2

2021	(000)	% of Operating Revenues	Discount Rate
Operating Revenue	661,614	n/a	n/a
Reported Unfunded Pension Liability	258,601	39%	7.16%
Moody's Adjusted Net Pension Liability	949,839	144%	2.84%
Reported Net OPEB Liability	421,396	64%	2.06%
Moody's Adjusted Net OPEB Liability	372,749	56%	2.83%
Net Direct Debt	1,097,350	166%	n/a
Debt & unfunded retirement benefits (Moody's adjusted)	2,438,758	368.61%	
Pension Contribution	31,626	4.78%	n/a
OPEB Contribution	16,592	2.51%	n/a
Debt Service	61,357	9.27%	n/a
Total Fixed Costs	109,574	16.56%	n/a
Tread Water Gap	3,590	0.54%	n/a
Moody's Adjusted Fixed Costs	113,164	17.10%	n/a

Source: Moody's Investors Service; county financial statements

Because it is not pre-funding OPEB benefits as they accrue, the county's OPEB costs will likely escalate as the number of retirees it covers grows and retirees age. So far, however, the OPEB liability is modest. In addition, the county does not offer OPEB to its post July 1994 employees, so while the liability may grow in the short term, in the long term, it will actually go away.

ESG considerations

Monmouth (County of) NJ's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

ESG Credit Impact Score

CIS-2

Neutral-to-Low



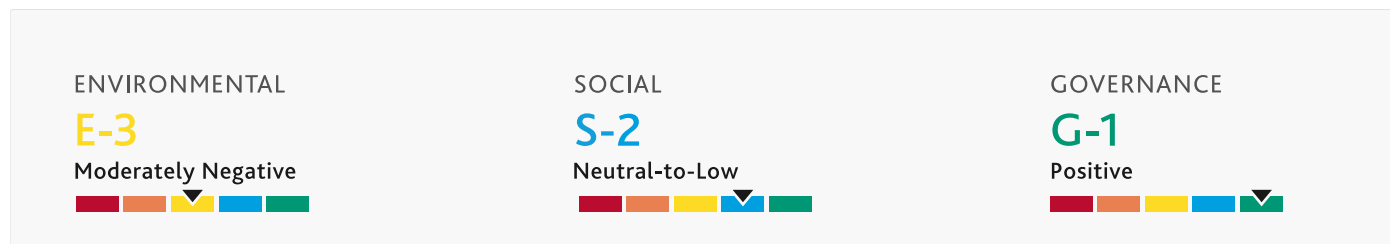
For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

The ESG CIS impact score is a 2, reflecting moderately negative exposure to environmental risks, low exposure to social risks offset by strong governance and a favorable location.

Exhibit 4

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

The county's overall environmental issuer profile score is moderately-negative (**E-3**). While carbon transition, water, natural capital, and pollution risks are modest, the county is exposed to rising sea levels, particularly since it has a large number of shore communities. Favorably, multiple levels of government are engaged in projects related to the health and upkeep of the Jersey Shore.

Social

Exposure to social risk is neutral-to-low (**S-2**). The county is home to some of the wealthiest communities in the nation. Affordable housing is one of the county's major challenges. Overall demographics and educational attainment are strengths. Residents have easy access to basic services and the county scores favorably in health and safety.

Governance

Monmouth County's strong governance is reflected in a score of **G-1**. The county has built a deep bench of civil servants and outside professionals to implement its policy objectives. This, plus a combination of a strong state-wide institutional framework and highly conservative budgeting, has allowed the county not only to strengthen its finances but to do so while providing various forms of assistance to its local governments.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching adjustments dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 5

Monmouth (County of) NJ

Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$146,443,519	Aaa
Full Value Per Capita	\$235,887	Aaa
Median Family Income (% of US Median)	163.3%	Aaa
Finances (30%)		
Fund Balance as a % of Revenues	14.3%	A
5-Year Dollar Change in Fund Balance as % of Revenues	-1.6%	Baa
Cash Balance as a % of Revenues	18.2%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	-1.0%	Baa
Other Scorecard Adjustment Related to Finances:		Up
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.7%	Aaa
Net Direct Debt / Operating Revenues (x)	1.6x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.7%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.5x	A
	Scorecard-Indicated Outcome	Aa2
	Assigned Rating	Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication

Source: Moody's Investor Service; US Census; county financial statements

© 2022 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER

1340671

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454