Monmouth (County of) NJ

Contacts

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Moody's Rating

Issue		Rating
General Obligation Bonds, Series 2002		Aaa
Sale Amount	$53,515,000	
Expected Sale Date	07/10/02	
Rating Description	General Obligation Bonds	

MOODY'S ASSIGNS Aaa RATING TO MONMOUTH COUNTY, NJ's $53.5 MILION GENERAL OBLIGATION BONDS, SER. 2002

RATING AFFECTS APPROX. $325 MILLION OF DIRECT AND GUARANTEED DEBT OF THE COUNTY

Opinion

Moody's Investors Service has assigned a Aaa rating and stable outlook to Monmouth County's $53.515 million General Obligation Bonds, Series 2002. At this time, Moody's has also affirmed the Aaa rating on parity debt obligations of approximately $325 million which includes county general obligation debt, the Monmouth County Improvement Authority's Pooled Equipment Lease Revenue bonds, Correctional Facilities bonds, and Recreational Facilities Revenue bonds. The authority's rating is based on the county's general obligation pledge guaranteeing the lease payments. The current issue will fund: $40 million of various capital projects including a new library and court facilities, road and bridge improvements; $9 million for landfill expansion; $4.5 million of community college improvements. The prime grade rating and stable outlook reflects the county's sound financial operations, substantial and expanding tax base, and modest debt position.

STRONG FINANCIAL OPERATIONS RESULTING IN GROWING RESERVE LEVELS.

Moody's expects that strong financial operations will continue to result from conservative budgetary assumptions for revenues and close control of spending. As a result, despite budgeting for use of over 50% of its reserves in each fiscal year, the county has consistently achieved increasing fund balances over the last decade with annual operating surpluses increasing Current Fund balance to 17% of revenues or $65.6 million in FY01; a similar result is expected for 2002. Furthermore, sustained ratable growth has enabled the county to modestly reduce tax rates over this period, while still maintaining a growing tax levy, which represented 56% of FY 2001 total revenues. Since property taxes are required to be remitted in full to the county by the underlying localities, the county is ensured a high level of predictability for its major revenue source.

RAPIDLY GROWING POPULATION LEADS TO EXPANDING TAX BASE.

Moody's believes the county's substantial, $59 billion tax base, will continue to benefit from moderate annual growth given continued demand for residential and commercial development, particularly in the western part of the county. For example, the county's largest municipalities, Middletown and Marlboro townships are rated Aa3 and A1, respectively, reflecting the relative credit quality. In addition, Moody's expects growth to be sustained by redevelopment activities that are occurring in some of the more densely settled municipalities along the oceanfront. Active residential development is being supported by steady population increases (up over 11% since 1990 to 615,301), making the county one of the fastest growing in the state. Furthermore, full valuation has increased over 30% in the last three years and full value per capita now exceeds $95,000. Other economic indicators have held up well despite the dampening effect of the recession, the post 9/11 economic impact, and the sharp downturn in telecommunications with AT&T and Lucent Technology having a large corporate presence in the county (0.8% of the tax base). While vacancy rates for Class A office space have risen in the last year to 4.5% from 1.2%, there reportedly remains continued demand for substantial new office space as reflected in the growing tax base. Moody's anticipates this activity should continue to provide employment opportunities within the county where unemployment rates are remaining below the state (4.5% vs. 5.2% April).

MODERATE DEBT POSITION EXPECTED TO REMAIN STABLE.

Moody's believes that the county's debt position will remain very manageable as evidenced by a moderate debt burden of 2.9%, including a very low 0.6% direct debt, and rapid debt amortization of 81% in ten years. We further anticipate that future taxable growth and rapid principal retirement will mitigate the impact of the county's capital borrowing plan, allowing the county to layer in an estimated $40 million of new debt needed annually over the next six years with modest change in the debt burden. The $261 million capital plan through 2007 addresses infrastructure needs related to the expanding residential and commercial tax base with roads and bridges accounting for the county's largest capital need at $102 million. The county also expects to provide over $20 million for the program through state grants and cash contributions to somewhat mitigate future borrowing needs.

REMEDIAL STEPS TAKEN TO STABILIZE COUNTY SOLID WASTE SYSTEM

Moody's expects the county's solid waste landfill operations to remain relatively stable given competitive tip fees that are currently at $49, consistent waste flow levels, and the use of available reserves. The county has $18.9 million of general obligation debt outstanding for this utility system, and is issuing $9 million with this issue for needed additional landfill space. While tipping fees are more than adequate to cover debt service requirements, the use of Utility Fund reserves are required to cover total operating costs. As a result, the enterprise fund balance has been drawn down over the last two years from $29 million to $21.7 million, and further declines are expected to continue. While no support has been needed from the General Fund to date, the county has received state legislation that any General Fund transfers to the utility be outside the spending CAP, and the county has also increased tip fees by $4 each in 2002 and 2003 to provide additional financial flexibility. Also, there remains $15 million set aside for future landfill closure costs. Given these actions, Moody's believes if General Fund transfers were needed to support landfill operations in the future, the transfers would be relatively modest in relation to the county's $375 million operating budget and would have minimal impact on the county's financial position.

Outlook

Moody's stable outlook reflects our expectation that the county will continue to benefit from conservative fiscal management, ample reserves, and a growing local tax base.

KEY STATISTICS

2000 population: 615,301 (+11.2% since 1990)

2002 full valuation: $58.8 billion

2002 full value per capita: $95,585

2000 per capita income as % of state: 115%

2000 median housing value as % of state: 119%

Overall debt burden: 2.9%

Direct debt burden: 0.6%

Payout of principal (10 years): 81%

FY 2001 General Fund balance (unaudited): $65.6 million (16.9% of General Fund revenues)