

### Summary:

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

#### Primary Credit Analyst:

Richard J Marino, New York (1) 212-438-2058; richard\_marino@standardandpoors.com

#### Secondary Credit Analyst:

Karl Jacob, New York (1) 212-438-2111; karl\_jacob@standardandpoors.com

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**Summary:**

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Credit Profile		
US\$24.375 mil rfdg bnds ser 2009 due 01/15/2011-2019		
<i>Long Term Rating</i>	AAA/Stable	New
Monmouth Cnty		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Monmouth Cnty GO		
<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 2009 general obligation (GO) refunding bonds. At the same time, Standard & Poor's affirmed its 'AAA' rating, with a stable outlook, on the GO bonds outstanding.

We base the rating on what we consider the following county characteristics:

- A strong local economy anchored by the services, retail trade, and health care industries;
- A substantial and expanding property tax base providing more than 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 full faith and credit pledge of the county secures the bonds.

Monmouth County (current population approximately 640,000) is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. It is an affluent residential community that increasingly serves as a major 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 has increased to 8.7% as of September 2009, it remains below state and national averages, in large part due to the access to a diverse range of employment opportunities. After several years of what we view as very strong growth, the county's market value has remained resilient through the recession, expanding about 1% in 2009 to \$129 billion, equaling what we consider an extremely strong \$202,439 per capita. Approximately 82% of the county's assessed valuation consists of residential properties, providing stability in the tax base in our opinion. Furthermore, county income and wealth levels are well above average, with median household effective buying income and median net worth equal to 146% and 230% of the national averages, respectively.

The county's financial operations have been consistently strong in our opinion, maintaining available reserve levels above 15% in the past 10 years. Audited results for fiscal 2008 (year-end Dec. 31) showed a \$3.7 million drawdown of the fund balance on the county's nearly \$500 million operating budget, as management used the fund balance to offset weaker revenues. The 2008 year-end unreserved fund balance remained strong in Standard & Poor's view, at \$83.6 million, equal to 16.8% of expenditures. Management implemented a slight tax rate increase for fiscal 2009, and used \$44.8 million in the fund balance. Through expenditure cuts and revenue enhancement, management projects fiscal 2009 will close with another slight fund balance drawdown, regenerating all but \$5 million. Management has instituted a hiring freeze for the 2009 budget, and will take other steps to control expenses into 2010 in offsetting continued revenue volatility related to the economic slowdown. Further stability is provided by the county's residential property tax base, which provides 60% of total revenues. Historically, the county has managed to steadily increase its current fund balance through strong revenue performance related to sustained economic and tax base development, along with conservative and strong financial management practices.

Including approximately \$1.8 billion in underlying municipal and school debt, the county's estimated overall debt burden remains what we consider moderate on a per capita basis at \$3,556, and low at 1.8% of full market value. Consistent with the county's debt management policies, debt service carrying charges have historically been moderate, between 8%-10% of expenses in recent years, while 80% of new debt and debt outstanding will be retired within 10 years. The county's five-year capital improvement plan (CIP) calls for \$613.5 million, of which \$469 million is expected to be financed through future debt. Monmouth County continues to use pay-as-you-go financing to offset debt needs, financing \$8.25 million of capital projects through reserves in the 2009 budget. The bonds will be issued to refund various GO bonds outstanding. The county projects a net present value savings of \$638,000.

For more information, please see the full analysis on the county published Oct. 27, 2009, on RatingsDirect.

## Outlook

The stable outlook reflects what Standard & Poor's views as the county's strong local economy and financial management and performance. Monmouth County's high income levels and property wealth, coupled with the sizable tax base, provide further stability to the rating in our opinion. The stable outlook assumes that the county will maintain what its strong financial position, as primarily measured by healthy current fund balance reserves, and will prudently manage its CIP and debt position. While revenue volatility due to the economic slowdown has caused the county to use the fund balance in the past year, 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 the fund balance.

## Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at [www.globalcreditportal.com](http://www.globalcreditportal.com) and RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.



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