

Summary:

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

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Credit Profile		
US\$8.5 mil cnty coll bnds ser 2012 due 06/15/2022		
<i>Long Term Rating</i>	AAA/Stable	New
US\$6.3 mil reclamation ctr util bnds ser 2012 due 01/15/2027		
<i>Long Term Rating</i>	AAA/Stable	New
US\$5.0 mil open space bnds ser 2012 due 06/15/2020		
<i>Long Term Rating</i>	AAA/Stable	New
US\$1.0 mil cnty voc sch bnds ser 2012 due 01/15/2022		
<i>Long Term Rating</i>	AAA/Stable	New
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

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating and stable outlook to Monmouth County, N.J.'s series 2012 general obligation (GO) bonds and affirmed its 'AAA' rating, with a stable outlook, on the county's existing GO debt and Monmouth County Improvement Authority, N.J.'s GO debt, supported by the county.

The rating reflects our opinion of the county's:

- Strong and diverse regional economy, anchored by the services, retail trade, and health care industries;
- Extremely strong and diverse property tax base, coupled with very strong wealth and income;
- Consistently strong and conservative financial management, demonstrated by strong current fund balances; and
- Moderate-to-low overall debt.

The county's unlimited GO pledge secures the bonds. Officials intend to use bond proceeds to fund various capital improvement plan (CIP) projects.

Monmouth County, with a current population estimate of 644,000, is in central New Jersey. It neighbors Mercer, Middlesex, Burlington, and Ocean counties. The affluent and residential county serves as a major commuting hub for the greater New York City area economy. Significant job opportunities also exist in the county, primarily in the services and retail trade sectors. While unemployment increased during the recession, it has remained level over the

past two years due, in large part, to the county's access to a diverse range of employment opportunities. Unemployment was 8.6% in April 2012, well below the state's rate and on par with the nation's rate. Furthermore, median household effective buying income and median net worth equal, in our opinion, a well-above-average 148% and 229%, respectively, of national levels.

After several years of, what we view as, very strong growth, assessed value (AV) and market value both declined during the recession. AV has declined by 1.7% in fiscal 2012, but it has remained a sizable \$106 billion. Market value has declined by 3.6% to \$116.9 billion, or \$179,454 per capita, in fiscal 2012, which we consider extremely strong. The tax base also exhibits little concentration with the 10 leading taxpayers accounting for just 1.7% of AV.

In our opinion, operations have been consistently strong. Management has remained proactive and shown the willingness to make adjustments to achieve budgetary balance. The adopted fiscal 2012 budget is \$487.4 million, \$4.1 million less than the fiscal 2011 budget. We understand the budget did not include a property tax increase. The county, however, appropriated \$43.9 million of surplus into the budget, a level management feels it can regenerate through positive operating performance. Property taxes generate 62% of general fund revenue. Individual municipalities collect county taxes and pay them to the county quarterly. The municipalities guarantee 100% of the county's tax levy.

According to unaudited results, Monmouth County ended fiscal 2011 with a \$7.4 million current fund balance reduction due to a \$7.6 million interfund loan to the grant funds. Officials intend to reimburse the current fund in fiscal 2012 after the receipt of state grant money. Current fund balance was \$69.4 million, or 13.3% of expenditures, which we consider strong. When including grant fund receivable, current fund balance increases to \$77 million, or 14.8% of expenditures. The county realized expenditure savings of \$27 million, which it will recognize in the fiscal 2012 fund balance. Liquidity remains, in our opinion, strong at about 90 days' cash on hand. Pension and other postemployment benefit contributions were \$28.7 million, or about 5.5% of current fund expenditures, in fiscal 2010.

Standard & Poor's considers Monmouth County's financial management practices "strong" under its Financial Management Assessment methodology, indicating practices are strong, well embedded, and likely sustainable.

Including the 2012 bonds and \$1.7 billion of overlapping debt from underlying municipalities and school districts, overall net debt is, in our opinion, a moderate \$4,054 per capita, or a low 2.2% of market value. Carrying charges were 10% in fiscal 2011, and they have historically ranged between 8% and 10%. We consider debt amortization rapid with officials planning to retire 72% of debt over 10 years and 100% over 20 years. We understand the county intends to issue additional debt in fiscal 2013 to fund its CIP.

Outlook

Standard & Poor's does not expect to change the rating within the stable outlook's two-year period. The stable outlook reflects our opinion of the county's strong local economy and financial management and performance. What we consider high income and property wealth and a sizable property tax base provide further rating stability. The stable outlook assumes that management will likely maintain, what we regard as, its strong finances, primarily measured by healthy current fund balance reserves, and that management will likely manage its CIP and debt prudently. While revenue volatility due to the economic slowdown has caused management to use fund balance during the past two fiscal years, it is our opinion the county's fundamental strength and regional economy will likely

provide further property tax base growth and the corollary fund balance stabilization.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

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