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Monmouth County, New Jersey

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Credit Profile

\$53.5 mil GO bnds ser 2002
due 2017
AAA

Sale date: 10-JUL-2002

AFFIRMED
\$250.705 mil. Monmouth Cnty
AAA

OUTLOOK: STABLE

Rationale

The 'AAA' rating on Monmouth County, N.J.'s \$40 million general improvement bonds, \$4.5 million county college bonds, and \$9 million utility bonds reflects the county's:

- Diverse and growing economic base,
- Above-average wealth and income levels,
- Strong financial performance and position, and
- Manageable debt burden.

The proceeds of these bonds will be used to finance various capital improvements in the county. The Monmouth Board of Chosen Freeholders has authorized \$125.7 million to be issued in GO bonds in total, of which 11% is being issued in this sale.

The bonds are secured by the full faith and credit of the county.

Monmouth County (population 615,301) is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. The county has historically been an affluent residential community, serving as a major commuting hub for the entire New York City metropolitan area. In 2001, approximately 80% of the county's assessed valuation (AV) was residential. Significant job opportunities also exist in the county, primarily in the services sector. The county's tax base is also diverse, with the 10 leading taxpayers making up less than 3% of 2001 AV. The county's 2001 total market value is nearly \$52 billion, with per capita market value a strong \$84,279. Wealth and income levels in the county are high, with median household effective buying income above state and national levels.

The county's financial operations are strong. Fiscal 2001 audited results indicate a strong surplus as of Dec. 31, 2001, contributing to an unreserved fund balance exceeding \$65 million, or 18% of expenditures. The county has managed to steadily increase its fund balance levels through conservative budgeting practices. Major areas of spending historically include health and welfare, general government, debt service and public safety.

The overall net debt burden is manageable at \$2,235 per capita and 2.7% of market value. The county's 2002-2007 capital improvement plan (CIP) totals \$261.3 million, of which \$20.3 million will be paid from cash and federal and state grants and the remaining \$240.9 million will be financed by BANs or bonds issued by the county.

Outlook

The stable outlook on Monmouth County reflects a sound economy, strong financial performance, and a manageable debt level.

Economy

Monmouth County, located in central New Jersey, has historically been an affluent residential community, serving as a major commuting hub for New York City, as well as Philadelphia and parts of northern New Jersey. The county's 2000 population was recorded at 615,301, an 11.2% increase from 1990 level of 553,093. The county has a diverse local economy, but is primarily dominated by the service and retail trades, which employ 65% of the county's total work force. The finance, construction, and manufacturing

sectors also have a strong presence in the county, accounting for a combined 20% of the local workforce. Since 1991, the county's labor force has grown from 306,100 to 315,900, an increase of 3.2%. At the same time, the employed work force has grown by 288,200 to 304,100. The narrowing gap between labor force and the number employed has resulted in the county's unemployment dropping from 7.6% in 1992 to 3.7% in 2001. Major employers within the county include Fort Monmouth (5,881 employees), Meridian Health Care (4,082 employees); the County of Monmouth (3,397 employees); AT&T (3,397 employees); and Lucent Technologies (2,800 employees).

The county's overall wealth level continues to exceed that of the state and the national levels. Per capita effective buying income (EBI) is 103.8% of the state and 127.2% of the nation. Median household EBI is also high at 106.1% of the state and 140.2% of the nation. Steady growth in retail sales is also indicative of the county's strong wealth. From 1999-2000, per capita retail sales increased 52.5%. With the exception of 1999, retail sales have remained well above state and national levels.

Anchored by a strong housing market (currently at a 12-year high), residential properties continue to reflect the majority of the county's total AV. The county's total AV in 2002 is \$46.8 billion, of which residential classifications are \$37.6 billion, or 80.4%. Residential valuation has grown by 18.8% over the five-year period from 1998-2002. This is a faster rate than total AV, which has grown by 17.8%. Other economic indicators point to a strong local economy. The county's tax base is diverse with the 10 leading taxpayers reflecting only 2.5% of the total AV. Major taxpayers include the corporate offices of AT&T, Freehold Mall, Monmouth Mall, Lucent Technologies, and International Flavors and Fragrances. Market value is also high at \$84,279, an overall increase of 19% since 1998. The county's equalized tax rates have declined steadily since 1998.

Finances

The county has historically maintained strong finances. Current fund operations have yielded positive results in each of the past four fiscal years, which has contributed to the county's strong fund balance level. At the end of fiscal 2001, the unreserved balance in the current fund was \$65.6 million, or 18.3% of expenditures. This is an increase of \$21.8 million, or 49.9%, over the fiscal 1998 level. Total fund equity is 30.6% of expenditures for 2001. Health and welfare is historically the largest area of spending for the county at 22% of total current fund expenditures in 2001, followed by general government at 16% of total expenditures. Other major spending areas include public safety, public works, and debt service.

Revenue growth has contributed to the county's strong financial position. Revenues in the current fund have grown on average 6% annually, with the biggest increase occurring in fiscal 2001 (9.7% increase). Property taxes are the county's primary revenue source, representing 56% of revenues. The remainder comes from state sources, fees, charges, and investment income.

The county's fiscal 2002 budget was adopted by the board in February 2002 and is balanced at \$376 million for revenues and expenditures. This is an increase of 7% over the 2001-budgeted level. Despite an overall slowdown in fund balance growth, the county expects that its unreserved fund balance will exceed \$66 million in fiscal 2002. Local officials also site a slowdown in overall revenue received from the state.

Debt

Monmouth County will have \$263 million of outstanding GO debt with this issue. The county's debt levels are moderate, with overlapping debt of \$1.2 million. Overall debt per capita is \$2,235, while debt as a percent of market value is 2.7%. Final maturity of all GO debt occurs in 2017. Debt service accounted for approximately 11% of expenditures in fiscal 2000. The county performs an annual debt affordability study to ensure proper debt policies and levels.

In recent years, the county has placed greater emphasis on improving infrastructure needs in order to keep pace with growth levels. This is evident in the \$261 million CIP passed earlier this year, which includes \$102 million for roads and bridges. Of the \$261 million, \$20 million, or 8%, will be paid from cash and federal and state grants. The remaining amount will be financed by BANs and bonds issued by the county.

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