

Publication date: 19-May-2003  
Reprinted from RatingsDirect

## Monmouth County, New Jersey

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### Credit Profile

\$57.295 mil GO bnds (tax  
exempt & taxable) dtd  
05/29/2003 due 03/01/2018  
AAA

Sale date: 22-MAY-2003

AFFIRMED  
Outstanding GO bnds  
AAA

OUTLOOK: STABLE

### Rationale

The 'AAA' rating on Monmouth County, N.J.'s GO bonds reflects:

- A diverse and growing economic base,
- Above-average wealth and income levels,
- Strong financial position, and
- A manageable debt burden.

Proceeds of the series A bonds will be used to finance various capital improvements in the county. Proceeds of the series B bonds will be used to retire the county's unfunded pension liability under the Public Employees Retirement System. The county is issuing 38% of its total authorization for the series A bonds and 93% against its authorization for the series B bonds. Both series A and B bonds are secured by the full faith and credit of the county.

Monmouth County (population: 615,301) is located 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 2002, approximately 80% of the county's assessed valuation was residential. Significant job opportunities also exist within the county, primarily in the services sector. The county's tax base is also diverse, with the 10 leading taxpayers comprising 2.4% of 2002 assessed valuation. The county's 2002 total market value is nearly \$59 billion, with per capita market value a strong \$95,585. Wealth and income levels in the county are high, with median household effective buying income at 114% of the state and 143% of the national levels.

The county's financial operations are strong. Preliminary results for fiscal 2002 indicate an operating surplus of approximately \$2.7 million, bolstering the available general fund balance to more than \$68 million. 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.

Overall net debt is manageable at \$2,807 per capita or 2.9% of market value, of which approximately 83% is attributable to overlapping obligations. The county's 2003-2008 capital improvement plan (CIP) totals \$248 million, of which \$20 million will be paid from cash and federal and state grants; the remaining \$228 million will be financed by issuance of bond anticipation notes (BANs) or bonds by the county.

### Outlook

The stable outlook on Monmouth County reflects an economy that is performing well, coupled with strong financial performance and a manageable debt level.

### Economy

The county 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 population in 2000 was recorded at 615,301, an 11.2% increase above the 1990 level of 553,093. The county has a diverse local economy, 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 work force. County-wide unemployment increased slightly in 2002 to 4.84%, due to the county's labor force growing at a slightly faster pace than the number of people employed. However, unemployment levels still remain comfortably below those of the state and the nation. Major employers within the county include Fort Monmouth (5,881 employees), Meridian Health Care, (4,082), the County of Monmouth (3,397), AT&T (3,397), and Lucent Technologies (2,800).

The county's overall wealth level continues to exceed those of the state and the nation. Per capita effective buying income (EBI) is 113% of the state and 140% of the nation. Median household EBI is also high at 114% of the state and 143% of the nation. Steady growth in retail sales are also indicative of the county's strong wealth. Retail sales have historically 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 assessed valuation (AV). The county's total AV in 2002 was \$46.8 billion, of which residential classifications are \$37.6 billion, or 80%. 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%. The county's tax base is diverse, with the top 10 taxpayers reflecting only 2.4% of AV. Major taxpayers include AT&T, Freehold Mall, Monmouth Mall, Lucent Technologies, and International Flavors and Fragrances. Market value is also high at \$95,585, an overall increase of 35% 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, contributing to the county's strong reserves. Preliminary results for fiscal 2002 indicate reserves exceeding \$68 million or 17% of expenditures. Health and welfare is historically the largest area of spending for the county, representing approximately 21% of total current fund expenditures in 2001, followed by general government at 16% of total expenditures. Other major spending areas include public safety and public works.

The county's strong tax base, aided by a high-end housing market, ensures consistent revenue growth. Current fund receipts have grown on average 5% annually over the past five years. Receipts from property taxes comprise roughly 58% of current fund sources. The fiscal 2003 budget was adopted by the Board of Freeholders in February 2003 and is balanced at \$393 million, representing a 4% increase over the 2002 adopted budget.

### **Debt**

With this issue, the county will have \$298 million of outstanding GO debt. With overlapping debt of \$1.2 million, Monmouth County's debt levels are moderate at \$2,807 per capita or 2.9% of market value. Carrying charges are moderate, with debt service accounting for approximately 10% of annual expenditures. 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 by its six-year capital improvement program passed earlier this year, which calls for \$248 million in capital expenditures through fiscal 2008. The majority of the plan will be financed through the issuance of bonds and short-term notes, with the remainder, about 8%, being funded through cash and federal and state grants.

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