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Analysis

Monmouth County, New Jersey; Tax Secured, General Obligation

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Credit Profile

\$36 mil GO bnds ser 2001 due
2016
AAA

Sale date: 11-JUL-2001

AFFIRMED
Outstanding GO bnds
AAA

OUTLOOK: STABLE

Rationale

Outlook

Economy

Finances

Rationale

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

- A strong local economic base centered in the health care and telecommunications industries,
- Solid tax base growth,
- Wealth and income levels that exceed both state and national levels,
- Sound financial performance highlighted by substantial fund balances,
- A moderate debt burden, and
- A manageable capital improvement program (CIP).

The bonds are general obligations secured by the full faith and credit of the county. Of the \$36 million of bonds issued, \$6 million are also county college bonds, which are entitled to the benefits of the provisions of the County College Bond Act. Under the act, the state appropriates and pays annually, on behalf of the county, an amount equal to the amount of principal and interest due on the county college bonds. Proceeds of this issue will be used to finance various capital improvement projects in the county, including improvements at the Brookdale Community College.

Monmouth County is in central New Jersey and has a current population of 623,694. The county is primarily residential but also has a strong commercial and industrial base. Residents have the choice of either working in the county or commuting to nearby Philadelphia or New York City for employment. Major employers in the county include the Fort Monmouth Army Base (5,818 employees), AT&T (4,900), Lucent Technologies (4,200), and Meridian Health Care (4,056). Lucent Technologies has been undergoing financial difficulties and has announced layoffs and voluntary retirements in its R&D and manufacturing businesses nationwide. The extent to which such layoffs will affect Lucent employees in the county is uncertain at this time; however, Standard & Poor's expects that any layoffs in the county will be absorbed by the local economy and the two nearby major metropolitan centers of New York City and Philadelphia, which are within relatively easy access from the county.

Assessed valuation (AV) has shown solid annual growth averaging approximately 2.6% since fiscal 1997. The county's current AV is \$43.5 billion, with a comparative market value of \$51.9 billion resulting in a high per capita market value of \$83,145. The tax base has no concentration, with the 10 leading taxpayers accounting for a mere 2.5% of total AV. Wealth and income levels in the county, as measured on a median household effective buying income basis, are above average at 105% of the state level and 137% of the national level. The unemployment rate of 3.49% is below both the state and national levels.

The county has a track record of strong financial performance. Consecutive years of operating surpluses have increased the general fund balance, on an unaudited basis, to \$58.28 million, or 16.7% of operating expenditures, in fiscal 2000. The county has a balanced budget for fiscal 2001. Overall net debt is manageable at \$2.189 per capita, or 2.6% of market value. The

CIP is expected to be debt-financed, with the remainder being funded from cash and federal and state grants.

Outlook

The stable outlook reflects the expectations that the county's economic base will remain stable, any potential layoffs will easily be absorbed, and financial performance will remain strong.

Economy

Monmouth County is in central New Jersey and currently has a population of 623,694. The county's location offers residents easy access to major highways and rail service, thus enabling residents to have a myriad of employment opportunities both outside and inside the county. The county's employment is centered in the trade, services, and government sectors. Over time, employment in the manufacturing sector has steadily declined while employment in the services sector has increased.

Strong residential activity, as well growth in commercial properties, has helped to increase the AV base to \$43.5 billion in fiscal 2001—up from \$42.2 billion in fiscal 2000. In 2000, the county issued 2,912 residential building permits valued at \$322 million. Commercial, industrial, and office construction in 2000 was valued at \$212 million. While growth obviously remains strong, Monmouth County's percent of overall residential building permits issued in the state, as well as its percent of the state's construction value, has been declining in recent years reflecting a slowing of growth compared to earlier years.

Finances

Conservative fiscal management has resulted in a consistent record of strong financial performance in the county. The county derives more than 50% of revenues for the current fund from property taxes, making it the largest single source of revenue for the current fund. General government, which constitutes 15% of the general fund, is the single largest expenditure item. In fiscal 2000, the general fund balance increased to \$58.281 million, or 16.7% of operating expenditures. The county's debt profile is very manageable at \$2,189 per capita and 2.6% of market value. The majority of debt is related to schools. The county has a \$156 million CIP through 2006 that is expected to be mainly debt-financed.

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