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Research:

Monmouth County, New Jersey; Appropriation, Appropriations; Tax Secured, General Obligation

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Credit Profile

US\$38.565 mil GO (gen imp bnds & cnty coll bnds & util bnds)
 ser 2005A&B&C due 01/15/2020 AAA
 Sale date: 05-APR-2005

AFFIRMED

Monmouth Cnty, New Jersey

\$285.812 mil. Monmouth Cnty AAA

Monmouth Cnty Imp Auth, New Jersey

\$16.118 mil. Monmouth Cnty Imp Auth AAA

\$16.118 mil. Monmouth Cnty Imp Auth (Monmouth Cnty) AAA

\$24.925 mil. Monmouth Cnty Imp Auth (Monmouth Cnty) AAA

OUTLOOK: STABLE

■ Rationale

The 'AAA' rating on Monmouth County, N.J.'s series 2005A-2005C GO bonds reflects the county's:

- Strong local economy anchored by the services, retail trade, and health care industries;
- Substantial and rapidly growing tax base;
- Wealth and income levels that exceed both state and national levels;
- Consistently strong financial position, evidenced by regular operating surpluses and high current fund balances; and
- Manageable overall debt burden.

The series 2005A, 2005B, and 2005C bonds are secured by the county's full faith and credit GO pledge. Proceeds of the series 2005A and 2005B bonds will be used to finance various county and community college capital and facility construction and improvements. Proceeds of the series 2005C bonds will be used to finance landfill liner construction for the county's reclamation utility system.

Monmouth County (current population, 632,274) is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. The county has historically been an affluent residential community and increasingly serves as a major commuting hub for the greater New York City area employment base. As of this year, approximately 83% of the county's assessed valuation (AV) consisted of residential properties. Significant job opportunities also exist within the county, primarily in the services and retail trade sectors. The county's tax base is also diverse, as the 10 leading taxpayers comprised just 2% of 2004's net taxable AV. The county's 2005 market value totals \$90.1 billion, which translates to a strong \$142,560 per capita. Furthermore, wealth and income levels in the county are above average, as per capita and median household effective buying incomes are 145% and 143% of the national level, respectively.

The county's financial operations have been consistently strong. Audited results for fiscal 2003 (year-end Dec. 31) indicated a \$7.4 million operating surplus, which pushed the unreserved current fund balance to \$75.7 million, or 18.5% of expenditures and 18.2% of revenues. Unaudited fiscal 2004 figures place the current fund closing with a \$3.0 million operating surplus, and an ending unreserved current fund balance of \$78.7 million, which translates to 18.1% of expenditures and 18.0% of operating revenues. 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 budgeting practices.

The county's estimated overall debt burden, net of self-supporting reclamation center utility debt, is manageable at \$2,855 per capita and 2% of market value, approximately 80% of which is attributable to underlying municipality obligations. Amortization is very rapid, with nearly 88% of new and outstanding debt retired in 10 years and 100% retired by 2020. The county's 2005-2010 capital improvement plan (CIP) totals \$324.8 million, \$39.9 million of which will be paid from cash and state and local aid, with the remaining \$284.9 million to be financed by the issuance of long-term debt. The county could issue \$30 million in new debt later this fiscal year for open space acquisition, which would be serviced directly from open space tax revenues. Assuming the \$30 million were to be issued, the county's overall debt levels would increase to \$2,902 per capita and 2% of market value.

■ Outlook

The stable outlook reflects the expectation that the county's local economy will continue to diversify and grow. In addition, it is expected that the county's strong financial position, as primarily measured by healthy current fund balance reserves, will be maintained, and that the county will prudently manage its CIP and debt position.

■ Economy

With a land area of approximately 470 square miles, Monmouth County has traditionally been an affluent residential community, while also serving as a major commuting hub for New York City, as well as Philadelphia and parts of northern New Jersey. The county estimates that roughly one in 12 residents commute to New York City for employment. The county's population totaled 615,301 in 2000, an 11.2% increase above the 1990 level of 553,093. The U.S. Census Bureau estimates the county's population, as of 2003, to be 632,274, which signifies a 2.8% increase since U.S. Census 2000. Over the long term, the county expects more gradual annual population growth, with the forecasted population totaling 697,500 by 2020. Monmouth has a strong and diverse local economy, primarily dominated by the service and retail trades, which employ about 68% of the county's total workforce. The finance, insurance, real estate, construction, and manufacturing sectors also maintain a significant presence in the county, accounting for a combined 19% of the county's workforce. Major employers within the county include Meridian Health Care (approximately 7,500 employees), Fort Monmouth (5,500), AT&T (4,050), the county itself (3,607), and Foodarama Supermarkets Inc. (2,458). Other major county employers are focused in the health care sector, and include CentraState Hospital (approximately 2,156 employees), Monmouth Medical Center (2,050), and Bayshore Community Hospital (1,700). The county indicates that there are presently no major concerns about the AT&T facility, despite SBC Communications' recent acquisition of the company, as Monmouth's AT&T facility and its employees are involved with vital software engineering. The implications of the forthcoming base realignment and closure round on Fort Monmouth and Naval Weapons Station Earle, which is another leading county employer, are unclear at this time, although the county indicates that these facilities house vital operations, as well. County unemployment levels have historically been below the state and national levels and, as of 2004, Monmouth County's unemployment rate measured 4.2%. Likewise, the county's labor and employment forces continue to exhibit strong gains, as labor and employment increased by 1.3% and 2.3%, respectively, between 2003 and 2004.

Anchored by a strong housing market, residential properties continue to reflect the majority of the county's total AV. The county's total AV measures \$65.4 billion in 2005, of which residential classifications are \$53.9 billion (about 83% of total). Residential valuation has grown by 56% between 2001 and 2005, which is slightly faster than total AV growth, which grew about 51% during the same time frame. The county's tax base is diverse, as the 10 leading taxpayers accounted for just 2% of the net taxable valuation in 2004. Major taxpayers include Freehold Mall, AT&T, Monmouth Mall, and Lucent Technologies. The county anticipates its tax base will continue to expand as several new redevelopment projects, including the Long Branch and Asbury Park projects, come online. Located

along the county's northern coastline, the Long Branch redevelopment project is expected to produce about 1,500 new residential units along with some commercial spaces. The \$1.3 billion Asbury Park waterfront redevelopment project envisions about 3,200 new residential units over 10 years, as well as additional new mixed-use spaces in the downtown area. Despite a slight decline from 2003, combined residential and commercial building permit valuations continue to be strong, totaling \$631.8 million in 2004. County data suggests that the median price for new single-family homes is around \$702,000, with higher-end homes selling for more than \$1 million. The county's overall wealth level continues to exceed those of the state and the nation. Per capita effective buying income is 117% of the state and 145% of the national levels, while median household effective buying income measures 115% of the state and 143% of the national levels.

■ Finances

Monmouth County has historically maintained a strong financial position. Current fund operations have yielded positive results in each of the past five fiscal years (2000-2004), adding to the county's strong reserves. For fiscal 2003, the county's current fund posted a \$7.4 million operating surplus, which raised the current fund balance to \$75.7 million, or a strong 18.5% of expenditures and 18.2% of revenues. Current fund liquidity is strong as cash, investments, and receivables-to-current liabilities measured 12.3x in 2003. Unaudited results for fiscal 2004 indicate a \$3.0 million operating surplus, boosting the current fund balance to \$78.7 million, or 18.1% of expenditures and 18.0% of revenues. The county is able to continuously produce operating surpluses in the current fund mainly through the strong revenue performance related to sustained economic and tax base development. In addition, conservative budgeting practices contribute to Monmouth's performance--operating revenues routinely surpass budgeted amounts, while appropriations consistently come in below budgeted levels. The county's largest revenue sources in unaudited fiscal 2004, aside from the \$41 million fund balance appropriation, were property taxes (56%), state and federal grants (6%), medical homes (5%), and social services (5%). Health and welfare has historically been the county's largest expenditure, and represented approximately 20% of total current fund expenditures in 2004, followed by public safety (18%) and debt service (11%).

The adopted fiscal 2005 budget is balanced at \$435.5 million and represents a 4.7% increase over the 2004 adopted budget. The fiscal 2005 budget includes a \$42.0 million current fund appropriation, a 3.4% property tax levy increase, and a 3.8% appropriation increase for salaries. The county presently anticipates fiscal 2005 closing with break-even operations or even a slight fund balance reduction in a worst-case scenario. Monmouth County's financial performance and position are further enhanced by several established formal financial and debt affordability policies including:

- A minimum current fund balance of 3% of revenues, with a target of at least 5%;
- A net tax-supported debt service carrying charge target of 10% of revenues, with a 12% cap;
- At least 70% of net tax supported debt must be retired within 10 years; and
- A net tax-supported debt-to-market value limit of 0.75%.

■ Debt

When factoring in net underlying municipality debt of \$1.45 billion, Monmouth County's overall debt levels are moderate at \$2,855 per capita and 2% of market value. When underlying debt is excluded, however, the county's net direct debt burden drops to a low \$561 per capita and 0.4% of market value. Debt service carrying charges have historically been moderate and measured about 10.7% of unaudited fiscal 2004 current fund expenditures. Amortization is very rapid, with nearly 88% of new and outstanding debt retired within 10 years and 100% retired by 2020. In recent years, the county has placed greater emphasis on improving infrastructure needs to keep pace with growth levels, which is evident by its annually reviewed six-year (fiscals 2005-2010), \$324.8 million CIP. The majority of the plan (88%) will be financed through the issuance of long-term debt, with the remainder being funded through cash and other governmental aid. The county anticipates issuing approximately \$45 million next year as part of the six-year CIP. However, the county could issue \$30 million in new debt later this year for open space acquisition, which would be serviced directly from open space tax revenues. Assuming the \$30 million were to be issued, the county's overall debt levels would increase to \$2,902 per capita and 2% of market value.

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