

## Monmouth County, New Jersey

### *Credit Profile*

US\$30.645 mil GO bnds dtd 03/06/2008 due 01/01/2016

<i>Long Term Rating</i>	AAA/Stable	New
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### *Rationale*

The 'AAA' rating on Monmouth County, N.J.'s series 2008 general obligation (GO) refunding bonds reflects the county's:

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

The county will use the series 2008 refunding bond proceeds to refund various GO bonds issued between 1998 and 2001.

Monmouth County (current population, 655,674) is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. The county is an affluent residential community and increasingly serves as a major commuting hub for the greater New York City area employment base. According to 2007 estimates, 83% of the county's assessed valuation (AV) consists 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 accounted for roughly 2% of 2007's net taxable AV. The county's 2007 market value grew 14% from 2006, totaling \$119 billion and translating into a strong \$182,040 per capita. County income levels are above average, as per capita and median household effective buying incomes are 141% and 139% of the national levels, respectively.

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The U.S. Department of Defense's approved Base Realignment and Closure (BRAC) commission list published in 2005 included the closure of Fort Monmouth, which is a military installation in the eastern portion of the county and the county's second-largest employer. According to the BRAC report, Fort Monmouth's closure will take place until 2011 and will eventually result in the elimination of roughly 5,300 direct civilian and military jobs in the county and another 4,500 indirectly associated jobs. Additionally, under the BRAC list, Naval Weapons Station Earle, which is also located in the county, is to be realigned, resulting in a loss of just 120 direct and indirect positions. The county has formed, in conjunction with the respective underlying municipalities and the state, the Fort Monmouth Economic Revitalization Authority to survey potential redevelopment opportunities. In April 2007, the authority hired EDAW, a global land and community consulting firm specializing in base reuse strategies through all five BRAC rounds, to prepare the reuse and redevelopment plan for Fort Monmouth. The plan, to be released in fall 2008, is expected to describe a mixed-use space of private residential and commercial developments, along with recreational space. Standard & Poor's Ratings Services will continue to monitor the developments surrounding BRAC, although Monmouth County's local economy is strong and should be able to weather any fallout tied to Fort Monmouth's closure.

The county's financial operations have been consistently strong. Audited results for fiscal 2006 (year-end Dec. 31) indicated a \$670,000 operating surplus, which pushed the unreserved current fund balance to \$85.8 million, or 19% of expenditures. Management estimates that fiscal 2007 closed with positive operating results, adding an additional \$1.5 million to the county's unreserved current fund balance. The county expects to save on expenditures in 2008 due to the retirement of pension bonds that required debt service of \$3 million annually as well as the conclusion in 2007 of ongoing litigation regarding housing state inmates that fell favorably on the county. The county projects fiscal 2008 closing with at-least break-even operations. Historically, 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.

When considering net overall municipality debt of \$2.02 billion, Monmouth County's estimated overall debt burden is high on a per capita basis at \$3,086 and low at 1.8% as a share of full market value. However, the county's net direct debt burden is low at \$604 per capita and 0.35% of market value. Debt service carrying charges have historically been above average and measured nearly 10.0% of current fund expenditures in fiscal 2006. However, the county's rapid debt retirement schedule offsets the above-average carrying charges: nearly 84% of new and outstanding debt will be retired in 10 years and 100% by 2022.

### ***Outlook***

The stable outlook reflects the county's strong local economy and financial management and performance. The county's high income levels and property wealth, coupled with the sizeable tax base, provide further stability to the rating. The stable outlook assumes that the county will maintain its strong financial position, as primarily measured by healthy current fund balance reserves, and that it will prudently manage its capital improvement program (CIP) and debt position. Additionally, as the potential ramifications of BRAC mandates loom on the horizon, it is possible that Fort Monmouth's eventual closure could lead to an adverse impact on the local economy. However, it is Standard & Poor's view that a BRAC-related economic disruption would likely be short term in nature, as the county should be able to withstand Fort Monmouth's closure in the long term.

### ***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, Philadelphia, and parts of northern New Jersey. The Monmouth County Planning Board estimates the county's population, as of January 2007, to be 655,674, which signifies a 0.9% increase over the previous year. Over the long term, the county expects more gradual annual population growth, with the forecasted population totaling 694,189 by 2025. The county has a strong and diverse local economy, primarily dominated by the service and retail trades, which employ about 69% of the county's total workforce. The finance, insurance, and 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 8,170 employees), Fort Monmouth (5,720), AT&T (4,300), the county itself (3,356), and Foodarama Supermarkets Inc. (2,536). Other major county employers are in the health care sector and include CentraState Hospital (approximately 2,301 employees), Monmouth Medical Center (2,050), and Bayshore Community Hospital (1,500). The county indicates that the AT&T facility, which was recently acquired by SBC Communications, is expanding, as the facility houses vital software engineering and other research and development activities. County unemployment levels have historically been below the state and national levels, and, as of May 2007, Monmouth County's unemployment rate measured 3.6%.

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 \$87 billion in 2007, \$71 billion of which are residential classifications (about 83% of total). Residential valuation grew by 24.2% over the past year, which is slightly faster than total AV growth, which grew about 23.1% in 2007. The county's tax base is diverse, as the 10 leading taxpayers accounted for only 1.6% of the net taxable valuation in 2007. Major taxpayers include Freehold Mall, AT&T, Monmouth Mall, and Lucent Technologies. The county expects that its tax base will continue to expand as several new redevelopment projects come to fruition. County data suggest that the median price for new single-family homes is around \$810,000, with higher end homes selling for well in excess of \$1 million. The county's overall income levels continue to exceed those of the state and the nation.

### ***Finances/Capital Improvement Program***

Monmouth County consistently exhibits strong financial performance and management. Current fund operations have yielded positive results in each of the past seven fiscal years (2000-2006), adding to the county's strong reserves. For fiscal 2006, the county's current fund posted a \$670,000 operating surplus, which raised the current fund balance to \$86 million, or a strong 18.9% of expenditures and 18.7% of operating revenues. The county's largest revenue sources in fiscal 2006, aside from the \$48 million fund balance appropriation, were property taxes (55%), state and federal grants (5%), medical homes (5%), and social services (5%). Health and human services has historically been the county's largest expenditure and represented approximately 21% of total current fund expenditures in 2004, followed by public safety (19%) and debt service (10%). Unaudited results for fiscal 2007 indicate a break-even year, maintaining fund balance at current levels.

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 2006-2011), \$418.9

million CIP. The county will finance the majority of the program (69%) through the issuance of long-term debt and the remainder through cash and other governmental aid. Major CIP project areas pertain to development easements (34% of the CIP), buildings/grounds (23%), and bridges/roads (22%). To ensure compliance with its debt affordability policies, the county maintains a debt capacity pro forma model that assumes the annual issuance of \$45 million in new bonds through 2011.

***Financial Management Assessment: ‘Strong’***

Monmouth County’s management practices are considered to be “strong” under Standard & Poor’s Financial Management Assessment methodology. The FMA is designed to measure the policies and procedures used by the county’s management as it oversees day-to-day operations. Among the highlights of Monmouth County’s management techniques are:

- A formal 7% minimum current fund balance target;
- Various formal debt affordability policies, including a 12% debt service carrying charge cap (debt service to current fund revenues) and a debt-to-market value limit of 0.75%;
- A six-year CIP with identified projects and funding sources; and
- A formal debt affordability pro forma model that forecasts the impact of new and future debt issuances on operations and policy limitations.

Nevertheless, the county scored a “standard” grade in the long-term financial planning and investment management policy areas. The county does not maintain a formal revenue/expenditure forecast: Budgets are simply crafted in a manner that will adhere to aforementioned reserve and debt policies. Similarly, although the investment policies and portfolio are disclosed in the county’s official statement, the investment guidelines are pursuant to the state’s permitted investments guidelines.

Despite these standard marks, the overall management strengths are in keeping with the county’s ‘AAA’ GO rating, and the creation and execution of the plans and policies clearly underlies the county’s very strong assessment and rating.

***Monmouth County, New Jersey***

<i>Economic statistics</i>	
Population	655,674
Median household EBI, % of U.S.	139
Per capita EBI, % of U.S.	141
Total market value per capita (\$)	182,040
Net direct debt (\$000s)	410,705
Net direct debt per capita (\$)	626
Net direct debt, % of market value	0.3
Assessed value (\$000s)	87,161,768
Market value (\$000s)	119,359,171

EBI—Effective buying income. Population and income—Source: Claritas.

<i>Financial statistics (fiscal year-end)</i>	<i>12/31/2005</i>	<i>12/31/2004</i>	<i>12/31/2003</i>
General fund balance (\$000s)	143,965	135,797	123,262
General fund balance, % of general fund expenditures	32.8	32.4	30.1
Unreserved fund balance (\$000s)	85,200	78,692	75,661
Unreserved fund balance, % of general fund expenditures	19.4	18.8	18.5
Total general fund expenditures (\$000s)	438,521	419,663	408,948

*Monmouth County, New Jersey (cont. 'd)*

*Economic statistics*

Total general fund expenditures—one-year change (%)	4.5	2.6	1.4
Total general fund revenues (\$000s)	451,388	426,183	416,330
Total general fund revenues—one-year change (%)	5.9	2.4	2.5

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