



Monmouth (County of) NJ

Contacts

Edith Behr	212-553-0566
Yaffa Rattner	212-553-4429

Moody's Rating

Issue	Rating
General Obligation Improvement Bonds, Series 2003A	Aaa
Sale Amount	\$40,000,000
Expected Sale Date	05/22/03
Rating Description	General Obligation Unlimited Tax
General Obligation Pension Refunding Bonds, Series 2003B (Taxable)	Aaa
Sale Amount	\$17,295,000
Expected Sale Date	05/22/03
Rating Description	General Obligation

**MOODY'S ASSIGNS Aaa RATING TO MONMOUTH COUNTY, NJ'S \$57 MILLION
GENERAL OBLIGATION BONDS, SERIES 2003**

AFFECTS \$380 MILLION IN PARITY DEBT, INCLUDING CURRENT ISSUE

Opinion

Moody's Investors Service has assigned a Aaa rating to Monmouth County's \$57 million General Obligation Bonds, Series 2003. At this time, Moody's has also affirmed the Aaa rating on parity debt obligations of approximately \$380 million which includes county general obligation debt and several lease financings issued by the Monmouth County Improvement Authority which are either paid or guaranteed by the county. The current issue is divided into two series; \$40 million General Improvement Bonds, Series 2003A and approximately \$17.3 million Pension Refunding Bonds, Series 2003B (Taxable). The Series 2003A bonds will fund 28 projects including, most notably, an \$11 million expansion of the eastern branch of the library headquarters and an \$8 million renovation of the Hall of Records. Proceeds from the Series 2003B (Taxable) bonds will retire the county's Public Employee Retirement System liabilities, saving the county an estimated \$4 million on a present value basis (25% NPV savings). The prime grade rating reflects the county's sound financial operations, substantial and expanding tax base, and modest debt position.

**STRONG FINANCIAL OPERATIONS RESULTING IN CONSISTENTLY SOUND
RESERVE LEVELS**

Moody's expects that strong financial operations will continue to result from conservative budgetary assumptions for revenues and good control of expenditures. As a result of these practices, despite budgeting for use of over 50% of its reserves in each fiscal year, the county has consistently achieved increasing fund balances with annual operating surpluses increasing Current Fund balance to \$68.28 million (16.8% of revenues) in fiscal 2002 (unaudited). Moody's expects the Current Fund balance to remain essentially level at the end of fiscal 2003.

Furthermore, sustained ratable growth has enabled the county to modestly reduce tax rates while maintaining a growing tax levy (6% increase in 2003). Property taxes comprise 58% of the county's revenues. Since property taxes are required to be remitted in full to the county by the underlying localities, the county is ensured a high level of predictability for its major revenue source.

REMEDIAL STEPS TAKEN TO STABILIZE COUNTY SOLID WASTE SYSTEM

Moody's believes that the county's solid waste landfill operations may continue to experience operating pressures despite the ability to raise tipping fees that are currently at \$57, the existence of a reserve funded by a \$1 tipping fee tax, and consistent waste flow levels. While the system could have supported itself in 2002 by utilizing a portion of its fund balance, the county chose to forgive a \$4.5 million lease payment for 2002 to have been made by the Monmouth County Reclamation Center Utility (MCRCU). While tipping fees are more than adequate to cover debt service requirements, the use of Utility Fund balance (\$21.4 million as of 12/31/02, unaudited) are required to cover total operating costs. As a result, the enterprise fund balance has been drawn down over the last three years from \$29 million to \$21.4 million at year-end 2002, unaudited, and further declines are expected to continue due to a \$6 million budgetary gap projected for 2003. The county has applied to the state for a reimbursement of \$9 million in Phase II money (the fund currently has a balance of \$13 million) to reimburse the MCRCU for moneys already paid out toward closure of the facility. The county has \$25.69 million of general obligation debt outstanding for this utility system. While the only support of the utility so far has been the forgiveness of 2002's lease payment of \$4.5 million, the county has received state legislation that any Current Fund transfers to the utility be outside the spending CAP. Moody's believes if Current Fund transfers were needed to support landfill operations in the future, the transfers would be relatively modest in relation to the county's \$392 million operating budget and would have minimal impact on the county's financial position.

RAPIDLY GROWING POPULATION LEADS TO EXPANDING TAX BASE

Moody's believes the county's substantial, \$67.3 billion tax base, will continue to benefit from annual growth given continued demand for residential and commercial development. While overall office space vacancies have crept up to 6.1%, AT&T (rated Baa2), one of the county's largest taxpayers, has increased employment in the county by 2,600 employees over the past year. Active residential and commercial retail development is being supported by steady population increases (13% since 1990). Furthermore, equalized valuation has increased an average of 8% since 1997 (14.5% from 2002 to 2003) and equalized value per capita exceeds \$108,000. Moody's anticipates this activity should continue to provide employment opportunities within the county where unemployment rates remain below the state (5.4% vs. 5.9% January 2003).

MODERATE DEBT POSITION EXPECTED TO REMAIN STABLE

Moody's believes that the county's debt position will remain very manageable as evidenced by a modest debt burden of 2.3%, including a low 0.4% direct debt, and rapid debt amortization of 86.7% in ten years. We further anticipate that future taxable growth and rapid principal retirement will mitigate the impact of the county's capital borrowing plan, allowing the county to layer in an estimated \$40 million of new debt needed annually

over the next six years with modest change in the debt burden.

The current issue is divided into two series; \$40 million General Improvement Bonds, Series 2003A and approximately \$17.3 million Pension Refunding Bonds, Series 2003B (Taxable). The Series 2003A bonds will fund 28 projects including most notably, an \$11 million expansion of the eastern branch of the library headquarters; and an \$8 million renovation of the Hall of Records. Proceeds from the Series 2003B (Taxable) bonds will retire the county's Public Employee Retirement System liabilities, saving the county an estimated \$4 million on a present value basis (25% of refinanced cash flow).

KEY STATISTICS

2001 population: 622,977

2003 equalized valuation: \$67.3 billion

2003 equalized value per capita: \$108,057

1999 per capita income as % of state: 115%

2000 median housing value as % of state: 119%

Overall debt burden: 2.3%

Direct debt burden: 0.4%

Payout of principal (10 years): 86.7%

FY 2002 Current Fund balance (unaudited): \$68.28 million (16.8% of Current Fund revenues)

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