



Moody's Investors Service

Global Credit Research

New Issue

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New Issue: Monmouth (County of) NJ

MOODY'S ASSIGNS Aaa RATING WITH STABLE OUTLOOK TO MONMOUTH COUNTY'S (NJ) \$40 MILLION G.O. BONDS, SERIES 2006

TOTAL OF APPROXIMATELY \$425 MILLION IN RATED COUNTY AND COUNTY-GUARANTEED DEBT OUTSTANDING, INCLUDING CURRENT ISSUE

Municipality
NJ

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series 2006	Aaa
Sale Amount \$40,000,000	
Expected Sale Date 05/23/06	
Rating Description General Obligation, Unlimited Tax	

Opinion

NEW YORK, May 18, 2006 -- Moody's Investors Service has assigned a Aaa rating with a stable outlook to Monmouth County's (NJ) \$40 million General Obligation Bonds, Series 2006. Concurrently, Moody's has affirmed the Aaa rating on approximately \$385 million of previously issued and outstanding county and county-guaranteed debt. The bonds are secured by the county's general obligation, unlimited tax pledge. Proceeds from these bonds will finance various capital improvements. The Aaa rating with a stable outlook incorporates the county's sound financial operations and healthy reserves, substantial and expanding tax base, and modest debt position.

STRONG FINANCIAL OPERATIONS RESULTING IN CONSISTENTLY SOUND RESERVE LEVELS

Moody's expects strong financial operations to continue, resulting from conservative budgetary assumptions for revenues and good control of expenditures. As a result of these practices, despite budgeting for use of more than 50% of its reserves in each fiscal year, the county has consistently maintained or increased fund balances with annual operating surpluses. The Current Fund balance in fiscal 2005 (unaudited) increased to a healthy \$85.2 million (18.4% of Current Fund revenues) from \$78.7 million (18.0% of Current Fund revenues) in fiscal 2004. Major drivers of the sizeable \$6.5 million operating surplus in 2005 include unexpended balances of 2004 appropriations (\$11.9 million), revenues exceeding budget, including interest on investments and deposits (\$6.8 million) and state aid for earned income credit (\$6.7 million), and added and omitted taxes (\$4.6 million). In fiscal 2006, the county increased its appropriation of fund balance by \$6 million to \$48 million, given the large surplus generated in fiscal 2005 and as a step toward management's goal of reducing Current Fund balance in the medium-term to a still-healthy 16% -17% (approximately) of Current Fund revenues. By year-end 2006, county officials project replenishing all, or all but \$1 million to \$2 million, of appropriated fund balance, so that the Current Fund balance remains essentially level at the end of fiscal 2006. Sources of replenishment are expected to be similar to that of fiscal 2005, including added and omitted taxes (\$3.9 million) and approximately \$14 million from the cancellation of 2005 appropriation reserves. Prudently, the county may reserve \$1.2 million of these appropriation reserves to offset future pension contributions. Sustained growth of taxable values has enabled the county to modestly reduce tax rates while maintaining a growing tax levy, including a 3.2% increase in 2005. Property taxes comprise 60% of the county's revenues. Since underlying localities are obligated to collect and remit in full county property taxes, the county is ensured a high level of predictability for its largest revenue source.

RAPIDLY GROWING POPULATION LEADS TO EXPANDING TAX BASE

Moody's believes the county's substantial \$90 billion tax base will experience strong growth driven by above-average market appreciation in the region as well as ongoing residential and commercial development. Active residential and commercial retail development is being supported by steady population increases (15% since 1990) as well as steadily improving income levels as a percent of the state median. Equalized valuation, which captures new construction and market value appreciation, has grown by a healthy 13.8% annually since 2000, above the state median, and is expected to increase by a stronger 16% to over \$104 billion in 2006. Income levels are above-average compared to the state median, but are approximately fifty percent higher than national medians. Wealth levels are solid, with equalized value per capita at \$146,493 in 2005.

Moody's anticipates that the county will continue to benefit from low unemployment rates that are consistently below the state and national medians due to jobs available within the county as well as in neighboring Middlesex County (rated Aa1/stable outlook) and the New York City (rated A1/stable outlook) metropolitan area. The county's top private employer is Meridian Health Systems, which operates numerous facilities throughout the county, followed by AT&T (senior unsecured rating A2/stable outlook), which was recently acquired by SBC Communications (senior unsecured rating A2/stable outlook).

Fort Monmouth, a U.S. Army base, is the county's second largest employer and has been recommended to close by the Base Realignment and Closure (BRAC) Commission. The fort has approximately 5,300 employees, 4,652 of whom are civilian employees and 620 of whom are military personnel. This large civilian workforce is primarily engaged in research and development of battlefield command, control, and communications technologies. The base is currently scheduled to close by 2011, although the relocation is reportedly on hold until the current war effort is completed and the new facilities in Aberdeen, MD are fully in place. As a result, the recommendation to close the base is not expected to have any near-term effects on the county. Ultimately, the closure would relocate jobs from the fort primarily to Aberdeen, MD, as well as to other military facilities in Maryland, Ohio, Virginia, and New York. Since January 2000, the unemployment rate in Monmouth County has averaged 0.6% lower than New Jersey and 0.9% lower than the United States. The county's February 2006 unemployment rate was 4.6% with 320,835 workers in a population of approximately 636,298 (2004 statistics), compared with 5.2% and 5.1% for the state and nation, respectively. The complete loss of the 5,300 jobs at the fort would represent only 1.7% of the county's total workforce and is not expected to have a significant sustained impact given the breadth and diversity of the county and regional economies. Therefore, the closure of the fort would likely have a minimal overall impact on the county's employment level or economy. Additionally, the approximately 1,200 acres comprising Fort Monmouth is deemed a significant and valuable piece of developable property given its proximity to New York City and the ocean. Any future redevelopment of the base may contribute significantly to ongoing tax base expansion and generate additional revenues. At this time, a Fort Monmouth Economic Revitalization Authority has been established to assist in future redevelopment plans for the base.

LOW DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

Moody's believes that the county's modest direct debt position (0.4% of equalized valuation) will remain manageable given rapid debt amortization of principal (86.7% in 10 years), moderate future borrowing plans, and the expected ongoing tax base growth. The county's overall debt burden, which includes all overlapping debt of the underlying municipalities, is a moderate 2.0%. Moody's believes that the county's rapid amortization schedule and expected tax base expansion will allow it to layer in approximately \$40 million of new debt annually over the next few years with only modest change in the debt burden.

KEY STATISTICS:

2004 Population (estimated): 636,298

2006 Equalized valuation (estimated): \$104.8 billion (+ 16% from 2005)

2005 Equalized valuation: \$90 billion

2005 Equalized value per capita: \$146,493

1999 Per capita income (as % of state and US): \$31,149 (115% and 144%)

1999 Median family income (as % of state and US): \$76,823 (118% and 154%)

2000 Median housing value as % of state: 119%

Overall debt burden: 2.0%

Direct debt burden: 0.4%

Payout of principal (10 years): 86.7%

FY 2005 Current Fund balance (unaudited): \$85.2 million (18.4% of Current Fund revenues)

FY 2004 Current Fund balance: \$78.7 million (18.0% of Current Fund revenues)

Post-sale parity debt outstanding (county and county-guaranteed debt): \$425 million

Analysts

Jenny L. Maloney
Analyst
Public Finance Group
Moody's Investors Service

Edith Behr
Backup Analyst
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

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