



Moody's Investors Service

Global Credit Research

New Issue

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New Issue: Monmouth (County of) NJ

MOODY'S ASSIGNS Aaa RATING/STABLE OUTLOOK TO MONMOUTH COUNTY'S (NJ) \$38.5 MILLION G.O. BONDS, SERIES 2005**Aaa AFFIRMATION AFFECTS \$382 MILLION OF PARITY DEBT, INCLUDING CURRENT ISSUE**County
NJ**Moody's Rating**

ISSUE	RATING
General Obligation Bonds, Series 2005	Aaa
Sale Amount \$38,565,000	
Expected Sale Date 04/01/05	
Rating Description General Obligation Unlimited Tax Pledge	

Opinion

NEW YORK, Mar 31, 2005 -- Moody's Investors Service has assigned a Aaa rating with a stable outlook to Monmouth County's \$38.5 million General Obligation Bonds, Series 2005 consisting of \$27 million General Improvement Bonds, Series 2004A; \$4.53 million County College Bonds Series 2005B (one-half of which benefit from the county College Bond Act, Chapter 12); and \$7 million Utility Bonds, Series 2005C. Concurrently, Moody's has affirmed the Aaa rating on \$382 million of outstanding county and county-guaranteed debt, including the current issue. Proceeds of this bond issue, which is secured by the county's unlimited tax pledge, will be used to finance various capital projects. The Aaa rating with a stable outlook incorporates 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 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 2004 (unaudited) is a comfortable \$78.7 million (18% of revenues), compared to \$75.7 million (18.2% of revenues) in fiscal 2003. Major drivers of the 2004 surplus include unexpended balances of 2003 appropriations, county clerk fees greater than budget, and added and omitted taxes. Moody's expects the Current Fund balance to remain essentially level at the end of fiscal 2005 as the county has decided to increase the amount of anticipated revenue in its 2005 budget, as it had the in the fiscal 2004 budget. 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 continue to benefit from annual growth given a number of planned and ongoing residential and nonresidential developments. 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 value appreciation, has grown by a healthy average of 9.2% annually since 2000, and equalized value per capita is \$146,493 in 2005. Moody's anticipates that the county will continue to benefit from low unemployment (3.4% compared to the state level of 3.9% in December 2004) due to jobs available within the county as well as in neighboring Middlesex County (G.O rated Aa1/stable outlook) and New York City (rated A2/stable outlook). The county's top private employer is Meridian Health Systems, which operates numerous facilities throughout the county, followed by AT&T (senior implied rating Ba1/watchlist for possible

upgrade), which is in the process of being acquire by SBC Communications (issuer rating A2/watchlist for possible downgrade). Fort Monmouth, a U.S. Army base, is the county's second largest employer and is being considered for closure by the Department of Defense. County officials believe the base closure would have minimal impact on the county, as the majority of the base's employees (5,000 of 5,500) are private contractors involved in research and development, some of whom could transition into jobs elsewhere in the region.

DEBT POSITION EXPECTED TO REMAIN MANAGEABLE

Moody's believes that the county's direct debt position (0.3% of equalized valuation) will remain manageable given rapid debt amortization of 85.2% in ten years, moderate future borrowing plans, and the expected continuation of tax base expansion. The county's overall debt burden, which includes all overlapping debt of the underlying municipalities, is 2.0%. Moody's believes that the county's rapid amortization schedule and expected tax base expansion will allow it to layer in an estimated \$30 million of new debt annually over the next few years with only modest change in the debt burden.

KEY STATISTICS:

2003 population (estimated): 635,584

2005 equalized valuation: \$90 billion

2005 equalized value per capita: \$146,493

1999 per capita income as % of state: 115%

1999 median family income as % of state: 118%

2000 median housing value as % of state: 119%

Overall debt burden: 2.0%

Direct debt burden: 0.3%

Payout of principal (10 years): 85.2%

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

FY 2003 Current Fund balance: \$75.7 million (18.2% of Current Fund revenues)

Post-Sale Parity Debt Outstanding: \$382 million

Analysts

Joshua Schaff
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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