Moody's Investors Service

New Issue: Monmouth (County of) NJ

MOODY'S ASSIGNS Aaa RATING AND STABLE OUTLOOK TO MONMOUTH COUNTY'S (NJ) $74.47 MILLION G.O. BONDS, SERIES 2007

TOTAL OF $380 MILLION OF COUNTY AND COUNTY-GUARANTEED RATED DEBT OUTSTANDING, INCLUDING CURRENT ISSUE

State
NJ

Moody's Rating

ISSUE		RATING
General Improvement Bonds, Series 2007A		Aaa
Sale Amount	$50,000,000	
Expected Sale Date	09/12/07	
Rating Description	General Obligation Unlimited Tax	
County College Bonds, Series 2007B (County College Bonds, P.L. 1971, c.12)		Aaa
Sale Amount	$4,470,000	
Expected Sale Date	09/12/07	
Rating Description	General Obligation Unlimited Tax	
Open Space Bonds, Series 2007C		Aaa
Sale Amount	$20,000,000	
Expected Sale Date	09/12/07	
Rating Description	General Obligation Unlimited Tax	

Opinion

NEW YORK, Aug 30, 2007 -- Moody's Investors Service has assigned a Aaa rating with a stable outlook to Monmouth County's (NJ) $74.47 million General Obligation Bonds, Series 2007 consisting of $50 million General Improvement Bonds, Series 2007A, $4.47 million County College Bonds, Series 2007B (County College Bonds Act, P.L. 1971, c.12) and $20 million Open Space Bonds, Series 2007C. These bonds are secured by the county's general obligation, unlimited tax pledge. The Series 2007A bonds will be used to finance various capital improvements and acquire a property for future county needs. The Series 2007B bonds are additionally secured by the County College Bonds Act, P.L. 1971, c. 12 and will be used to finance the final stages of the Brookdale Community College project. The Series 2007C bonds will be used to finance the acquisition of open space.

At this time, Moody's has also affirmed the Aaa rating on approximately $284 million of previously issued and outstanding county and county-guaranteed debt. The Aaa rating with a stable outlook incorporates the county's sound financial operations and healthy reserves, substantial tax base with continued healthy growth, 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 for well over a decade. In fiscal 2005, Current Fund balance 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 $6.5 million increase to 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% to 17% (approximately) of

Current Fund revenues.

Fiscal 2006 results reflect another, albeit more modest, increase to reserves of $671,000 to $85.87 million, or 18.2% of General Fund revenues. Sources of replenishment were similar to that of fiscal 2005, including $13.3 million from the cancellation of lapse appropriation reserves, $9.5 million from interest on investments, $5.2 million from state aid for earned income credit, and $3.9 million from added and omitted taxes. Prudently, the county appropriated an additional $1.2 million of appropriation reserves to offset future pension contributions and currently has a total of $7.4 million in a pension fund reserve, which it expects to use to offset pension contributions in fiscal years 2008 and 2009. The fiscal 2007 budget reflected a 2.9% property tax levy increase and as such, is expected to be minimally impacted, if at all, by the recently enacted New Jersey property tax reform legislation that would limit the county's levy increase to four percent annually. Also incorporated in the 2007 budget is a slight ($500,000) increase of appropriated surplus to $48.5 million, which county officials project replenishing nearly this entire amount. Sustained growth of taxable values has enabled the county to modestly reduce tax rates while maintaining a growing tax levy, including 3.3% and 2.9% increases in fiscal years 2006 and 2007, respectively. Property taxes comprised 60% of the county's revenues in fiscal 2006. 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.

SUBSTANTIAL TAX BASE EXPERIENCING HEALTHY GROWTH

Moody's believes the county's substantial $119.3 billion tax base will continue to 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. Residential development continues to remain healthy, particularly in the Townships of Manalapan (rated Aa3), Middletown and Neptune (rated A2) and the City of Asbury Park (rated Baa3). Commercial development, including retail and office building, also continues throughout the county, particularly in the Townships of Manalapan, Freehold (rated Aa3), Wall and Millstone. Equalized valuation, which captures new construction and market value appreciation and upon which county taxes are calculated, has grown by a healthy 15.2% annually since 2002, well above the state median of 11.6%. Income levels are above-average compared to the state median, but are approximately fifty percent higher than national medians. Equalized value per capita, which approximates wealth levels, is strong at $187,686 in 2007, equivalent to 168% of the state and nearly three times (292%) the national median.

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 Aa3/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 5,700 employees, of which 500 are military personnel and 5,520 are private contractors. 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 and the Fort Monmouth Economic and Redevelopment Authority was recently established to plan the transition and development of this area. However, the recommendation to close the base is not expected to have any near-term effects on the county given that the relocation is reportedly on hold until the current war effort is completed and the new facilities in Aberdeen, MD are fully in place. 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. In the unlikely event of the complete loss of the 5,700 jobs currently based at Fort Monmouth, the county's total workforce of approximately 336,500 would decline by a modest 1.7% of and would not be expected to have a significant sustained impact on the county's employment level or economy given the breadth and diversity of the county and regional economies. Therefore, the closure of the fort would likely have a minimal overall impact. 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.

LOW DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

Moody's believes that the county's modest direct debt position (0.3% of equalized valuation) will remain manageable given an aggressive amortization of principal (86.4% in 10 years), moderate future borrowing plans, and ongoing tax base growth. The county's overall debt burden, which includes all overlapping debt of the underlying municipalities, is a low 1.4%. Moody's believes that the county's rapid amortization schedule and expected tax base expansion will allow it to layer in approximately $50 million of new debt annually over the next few years with minimal change to its debt burden.

KEY STATISTICS:

2005 Population (estimated): 635,952

2007 Equalized valuation: $119.4 billion

2007 Equalized value per capita: $187,686

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: 1.4%

Direct debt burden: 0.3%

Payout of principal (10 years): 86.4%

FY 2006 Current Fund balance: $85.9 million (18.2% of Current Fund revenues)

Post-sale parity debt outstanding (county and county-guaranteed debt): $380 million

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