



New Issue: Monmouth (County of) NJ

MOODY'S ASSIGNS Aaa RATING WITH A STABLE OUTLOOK TO \$64 MILLION MONMOUTH COUNTY GENERAL OBLIGATION BONDS, SERIES 2004

AFFECTS \$419 MILLION COUNTY PARITY DEBT, INCLUDING THE CURRENT ISSUE

County
NJ

Moody's Rating

ISSUE RATING

General Obligation Improvement Bonds, Series 2004A Aaa

Sale Amount \$25,000,000

Expected Sale Date 04/13/04

Rating Description General Obligation Unlimited Tax

General Obligation Refunding Bonds, Series 2004B Aaa

Sale Amount \$39,000,000

Expected Sale Date 04/13/04

Rating Description General Obligation Unlimited Tax

Opinion

NEW YORK, Apr 7, 2004 -- Moody's Investors Service has assigned a Aaa rating with a stable outlook to the \$64 million Monmouth County, NJ's General Obligation Bonds, Series 2004 consisting of \$25 million General Improvement Bonds, Series 2004A and approximately \$39 million Refunding Bonds, Series 2004B. Concurrently, Moody's has affirmed the Aaa rating on \$419 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 certain capital projects and to refund certain maturities of general obligation bonds issued by the county in prior years. The bonds to be refunded are dependent on market conditions, but at this time are expected to yield approximately \$1.5 million (4.2% of refunded par value) net present value savings. The Aaa rating, with a stable outlook, on the county bonds 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 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 over 50% of its reserves in each fiscal year, the county has consistently achieved increasing fund balances with annual operating surpluses augmenting Current Fund balance to \$75.66 million (18.2% of revenues) in fiscal 2003 (unaudited) from \$68.28 million (16.8%) in fiscal 2002. Major drivers of the 2003 surplus include unexpended balances of 2002 appropriations (\$11.5 million); county clerk fees of \$7 million greater than budget; and nonbudgeted revenues including reimbursement for federal inmates at the county correction facility (\$6.1 million), added and omitted taxes (\$3.9 million), and appropriations refunds (\$1.6 million). Moody's expects the Current Fund balance to remain essentially level at the end of fiscal 2004 as the county has made a conscious decision to increase the amount of anticipated revenue in its 2004 budget.

Furthermore, sustained ratable growth has enabled the county to modestly reduce tax rates while maintaining a growing tax levy (4% increase in 2004). Property taxes comprise 60% 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.

RAPIDLY GROWING POPULATION LEADS TO EXPANDING TAX BASE

Moody's believes the county's substantial, \$78.2 billion tax base will continue to benefit from annual growth given a number of residential and nonresidential developments. While the total office market in the county has a vacancy rate of 15.6% as of December 31, 2003 and the absorption of office space in the county declined in 2003, residential building permits aggregating \$373 million were issued during 2003 and a total of 227 nonresidential site plans were submitted to the county planning board in 2003, indicating a continuing need for retail space, medical offices, warehouses and distribution centers, and schools. 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. With the increase in the tax base, equalized valuation has grown by a healthy average of 9.5% per year since 1997 (16.2% from 2003 to 2004) and equalized value per capita exceeds \$123,000 in 2004. Moody's anticipates that the county's increasing wealth will continue to be supported by low unemployment (88% of the state median) due to employment available within the county as well as in neighboring Middlesex County, NJ (rated Aa2/stable) and New York City (rated A2/stable).

DEBT POSITION EXPECTED TO REMAIN MANAGEABLE

Moody's believes that the county's debt position will remain very manageable as evidenced by a modest debt burden of 2.1%, including a low 0.5% direct debt, and rapid debt amortization of 81.7% 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 \$30 million of new debt annually over the next few years with modest change in the debt burden.

The current issue will finance certain capital projects including one-half the cost of a satellite facility to house "911" operators and the information services department (\$8.5 million), preservation of agricultural land (\$4 million), Brookdale Community College renovations (\$3.3 million), and fire academy improvements (\$3 million) as well as the refunding of certain outstanding general obligation bonds issued by the county. At the present time, based on the refunding of bonds from the county's 1993, 1996 and 1997 issues, the county anticipates net present value savings from the refunding of approximately \$1.53 million (4.18% of refunded par value).

KEY STATISTICS:

2003 population (estimated): 635,584

2004 equalized valuation: \$78.2 billion

2004 equalized value per capita: \$123,036

1999 per capita income as % of state: 115% (up from 110% in 1989)

1999 median family income as % of state: 118% (up from 113% in 1989)

2000 median housing value as % of state: 119%

Overall debt burden: 2.1%

Direct debt burden: 0.5%

Payout of principal (10 years): 81.7%

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

Post-Sale Parity Debt Outstanding: \$419 million

Analysts

Edith Behr
Analyst
Public Finance Group
Moody's Investors Service

Yaffa Rattner
Backup Analyst
Public Finance Group
Moody's Investors Service

Contacts

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

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