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## Monmouth County, New Jersey

Credit Analysts: Harold Burger, New York (1) 212-438-7983; Richard J Marino, New York (1) 212-438-2058

### Credit Profile

US\$39.115 mil GO rfdg bnds  
ser 2004B due 09/01/2012  
AAA  
Sale date: 13-APR-2004

US\$25 mil GO Imp bnds ser  
2004A due 01/15/2005-2016  
AAA  
Sale date: 13-APR-2004

AFFIRMED  
Monmouth Cnty, NJ  
Outstanding GO bnds  
AAA

Monmouth Cnty Imp Auth, NJ  
Outstanding bnds  
AAA

OUTLOOK: STABLE

### Rationale

The 'AAA' rating on Monmouth County, N.J.'s GO improvement bonds series 2004A and GO refunding bonds series 2004B reflects:

- A strong local economic base centered on the health care and telecommunications industries;
- A diverse and rapidly growing tax base;
- Wealth and income levels that exceed both state and national levels;
- A consistently strong financial position, with substantial operating surpluses and current fund balance levels; and
- An increasing, yet manageable, overall debt burden.

The bonds are secured by the county's full faith and credit pledge. Proceeds of the series 2004A bonds will be used to finance various capital and facility construction and improvements in the county. Proceeds of the series 2004B bonds will be used to refund approximately \$36.72 million of the county's series 1993, 1996, and 1997 GO bonds.

Monmouth County (population 629,836) is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. The county has historically been an affluent residential community, and increasingly serves as a major commuting hub for the New York City employment base. In 2003, approximately 81% of the county's assessed valuation (AV) was residential. Significant job opportunities also exist within the county, primarily in the services and retail trade sectors. The county's tax base is also diverse, with the leading taxpayers comprising just 2.1% of the 2003 AV. The county's 2003 total market value is about \$67.3 billion, with per capita market value a strong \$106,880. Wealth and income levels in the county are above average, with median household effective buying income at 141% of the state and national levels.

The county's financial operations have been consistently strong in recent fiscal years. Unaudited results for fiscal 2003 (year-end Dec. 31) indicate an operating surplus of approximately \$7.4 million, pushing the available general fund balance to about \$75.7 million and 18.5% of current fund expenditures. The county has managed to steadily increase its fund balance levels through conservative budgeting practices. Major areas of spending historically include health and welfare, public safety, general government, debt service, and public works.

The county's overall estimated debt level is manageable at \$2,660 per capita, or 2.5% of market value, of which approximately 77.8% is attributable to overlapping obligations. The county's 2004-2009 capital improvement plan (CIP) totals \$260.4 million, of which \$27.94 million will be paid from cash and federal and state grants; the remaining \$232.46 million will be financed by the issuance of BANs or bonds by the county. The county anticipates issuing about \$30 million next year to finance CIP-related projects.

### Outlook

The stable outlook reflects the expectation that the county's local economy will continue to diversify and grow. In addition, it is expected that the county's strong financial position, as primarily measured by healthy current fund balance reserves, will be maintained, and that the county will prudently manage its substantial CIP and debt position.

## **Economy**

The county has historically been an affluent residential community, serving as a major commuting hub for New York City as well as Philadelphia and parts of northern New Jersey. The county estimates that about one in 12 residents commute to New York City for employment. The county's population was 615,301 in 2000, an 11.2% increase above the 1990 level of 553,093. The U.S. Census Bureau estimates the county's population in 2002 to be 629,836, a 2.4% increase since 2000; the county is considered to be one of the fastest growing in New Jersey. The county has a strong and diverse local economy, primarily dominated by the service and retail trades, which employ 66.3% of the county's total workforce. The finance, construction, and manufacturing sectors also have a significant presence in the county, accounting for a combined 19.0% of the county's workforce. Major employers within the county include Meridian Health Care (7,400 employees), AT&T (5,900), Fort Monmouth (5,462), the county itself (3,564), and Foodarama Supermarkets Inc. (2,418). Other major county employers are focused in the health care and telecommunications sectors, including Monmouth Medical Center (2,061 employees), CentraState Hospital (2,029), and Lucent Technologies (1,806). County unemployment levels increased slightly in 2003 to 5.2%, but remain, and have traditionally remained, below the state (5.7%) and national (5.9%) averages.

Anchored by a strong housing market, residential properties continue to reflect the majority of the county's total AV. The county's total AV measured \$51.0 billion in 2003, of which residential classifications are \$41.2 billion, or about 81%. Residential valuation has grown 26.1% from 1999 to 2003. This is slightly faster than total AV growth, which grew 24.9% during the same time frame. The county's tax base is diverse, with the leading taxpayers reflecting just 2.1% of the net taxable valuation. Major taxpayers include Freehold Mall, AT&T, Monmouth Mall, and Lucent Technologies. Market value per capita is very high at \$106,880, an increase of about 39.2% from the 2000 total. The county anticipates that its tax base will continue to expand as several new redevelopment projects, including areas in Long Branch and Asbury Park, come online within the next year or two. Located along the county's northern coastline, the Long Branch redevelopment project is expected to produce about 1,500 new residential units along with some commercial spaces. The Asbury Park waterfront redevelopment project envisions about 3,000 new residential units and additional new retail space. Other residential and commercial development continues to take place in various sections in the western portion of the county, as well. County data indicates that the median price for new single-family homes is around \$480,000, with higher end homes starting around \$700,000. The county's overall wealth level continues to exceed those of the state and the nation. Per capita effective buying income is 116% of the state and 141% of the nation. Median household effective buying income is also above average at 115% of the state and 141% of the nation.

## **Finances**

The county has historically maintained strong finances. Current fund operations have yielded positive results in each of the past five fiscal years (1999-2003), contributing to the county's strong reserves. Audited fiscal 2002 posted a \$2.7 operating surplus, pushing the current fund balance to \$68.3 million, or 16.9% of expenditures. Unaudited results for fiscal 2003 indicate a \$7.4 million operating surplus, boosting the current fund balance to \$75.7 million, or 18.5% of expenditures. The county is able to continuously produce operating surpluses in the current fund through conservative budgeting practices; county revenues routinely surpass budgeted amounts, while appropriations consistently come in below budgeted levels. The county's largest revenue sources in unaudited fiscal 2003 were property taxes (60.1%), state and federal grants (7.0%), social services (5.8%), medical homes (5.4%), and the county clerk (4.3%). Health and welfare is historically the largest expenditure for the county, representing approximately 19.8% of total current fund expenditures in 2003, followed by public safety (17.8%), general government (14.4%), and debt service (10.2%). The fiscal 2004 adopted budget is balanced at \$416 million, representing a 6.0% increase over the 2003 adopted budget. The county anticipates that another operating surplus

will be produced in fiscal 2004, albeit one smaller than the projected fiscal 2003 surplus.

### **Debt**

With overlapping debt of \$1.3 million, Monmouth County's debt levels are moderate at \$2,660 per capita and 2.5% of market value, which includes guaranteed capital and pooled leases and various overlapping debt. When overlapping debt is excluded, the county's net debt drops to \$591 per capita and 0.6% of market value. Debt service carrying charges are moderate, with debt service averaging about 10.3% of annual current fund expenditures between fiscals 2000 and 2003. County debt retirement is rapid, with 86% of new and outstanding debt retired in 10 years and 100% retired by 2018. In recent years, the county has placed greater emphasis on improving infrastructure needs to keep pace with growth levels. This is evident by its six-year CIP, which calls for \$260.4 million in capital expenditures through fiscal 2009. The majority of the plan (89.3%) will be financed through the issuance of BANs and bonds, with the remainder (10.7%) being funded through cash and grants. The county anticipates issuing approximately \$30 million next year as part of the six-year CIP.

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