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Monmouth County, New Jersey; General Obligation

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US\$44.79 mil GO bnds ser 2009A dtd 11/17/2009 due 11/01/2019		
<i>Long Term Rating</i>	AAA/Stable	New
US\$26.385 mil GO bnds ser 2009B dtd 11/17/2009 due 11/01/2024		
<i>Long Term Rating</i>	AAA/Stable	New
Monmouth Cnty GO bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating to Monmouth County N.J.'s series 2009A general obligation bonds.

The rating is based on the following county characteristics:

- Strong local economy anchored by the services, retail trade, and health care industries;
- Substantial and expanding property tax base providing more than 60% of the county's revenues;
- Wealth levels that are well above both state and national levels;
- Consistently strong and conservative financial management, evidenced by regular operating surpluses and high current fund balances; and
- Moderate-to-low overall debt burden.

The full faith and credit pledge of the county secures the series 2009 bonds.

Monmouth County (current population, approximately 640,000) is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. The county is an affluent residential community and increasingly serves as a major commuting hub for the greater New York City area employment base. Significant job opportunities also exist within the county, primarily in the services and retail trade sectors. While unemployment has increased to 8.6% as of August 2009, it remains below state and national averages, in large part due to the access to a diverse range of employment opportunities. After several years of very strong growth, the county's market value has remained resilient during the recession, expanding about 1% in 2009 to \$129 billion, equaling an extremely strong \$202,439 per capita. Approximately 82% of the county's assessed valuation (AV) consists of residential properties, providing, in our opinion, stability in the tax base. Furthermore, county income and wealth levels are well above average, with median household effective buying income and median net worth equal to 146% and 230%, respectively, of national averages.

The county's financial operations have been consistently strong, maintaining available reserve levels above 15% over the past 10 years. Audited results for fiscal 2008 (year-end Dec. 31) showed a \$3.7 million drawdown of fund balance on the county's nearly \$500 million operating budget, as management used the fund balance to offset weaker revenues. The 2008 year-end unreserved fund balance remained strong, at \$83.6 million, equal to 16.8% of

expenditures. Management implemented a slight tax rate increase for fiscal 2009 and used \$44.8 million in fund balance. Through expenditure cuts and revenue enhancement, management projects that fiscal 2009 will close with another slight fund balance drawdown, regenerating all but \$5 million. Management has instituted a hiring freeze for the 2009 budget and will take other steps to control expenses into 2010 in offsetting continued revenue volatility related to the economic slowdown. Further stability is provided by the county's residential property tax base, which provides 60% of total revenues. Historically, the county has managed to steadily increase its current fund balance through strong revenue performance related to sustained economic and tax base development, along with conservative and strong financial management practices.

Including approximately \$1.8 billion in underlying municipal and school debt, as well as the county's 2009 bonds, the county's estimated overall debt burden remains moderate at \$3,532 on a per capita basis and low at 1.7% of full market value. The county's net direct debt burden is low at \$653 per capita and 0.3% of market value. Consistent with the county's debt management policies, debt service carrying charges have historically been moderate, at between 8% and 10% of expenses in recent years, while 80% of new and outstanding debt will be retired within 10 years. The county's five-year capital improvement plan calls for \$613.5 million, of which \$469 million is anticipated to be financed through future debt. The county continues to use pay-as-you-go financing to offset debt needs, financing \$8.25 million of capital projects through reserves in the 2009 budget.

Outlook

The stable outlook reflects the county's strong local economy and financial management and performance. The county's high income levels and property wealth, coupled with the sizable tax base, provide further stability to the rating. The stable outlook assumes 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 capital improvement program (CIP) and debt position. While revenue volatility due to the economic slowdown has caused the county to use the fund balance during the past year, we do believe that the fundamental strength of the county and regional employment base will provide for future growth of the tax base and corollary stabilization of fund balance.

Strong And Stable Economy

With a land area of approximately 470 square miles, Monmouth County has traditionally been an affluent residential community characterized by spacious properties that range from oceanfront to horse farms. The county also serves as a major commuting hub for employment in New York City, Philadelphia, and northern New Jersey. The county's population, which has experienced steady growth over the past decade, is approximately 640,000 as of 2009. Over the long term, the county expects modest annual population growth, with the forecasted population totaling 704,000 by 2025. 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 \$106.2 billion in 2009, of which more than 80% is classified as residential. Residential valuation has grown about 5% annually over the past several years, while commercial development continues to drive strong assessed value growth. The county's tax base is diverse, as the 10 leading taxpayers accounted for only 1.5% of the net taxable valuation in 2009. Major taxpayers are a mix of technology, entertainment, retail, and residential facilities. The county expects that its tax base will continue to expand as several new redevelopment projects come to fruition. However, due to the economic slowdown nationally, residential values are expected to decrease modestly in the next year. The county's overall income levels

continue to exceed those of the state and the nation.

The county has a strong and diverse local economy, primarily dominated by the service and retail trades, which employ nearly 70% of the county's total workforce. The finance, insurance, real estate; construction; and manufacturing sectors also maintain a significant presence in the county, accounting for a combined 20% of the county's workforce. Major employers within the county include Meridian Health Care (approximately 7,085 employees), Fort Monmouth (4,806), AT&T (4,150), the county itself (3,505), Centra State Healthcare Systems (2,500), and Foodarama Supermarkets Inc. (2,014). The county projects future employment growth in the health care sector, as Monmouth Medical Center (2,036) and Bayshore Community Hospital (1,600), along with other medical institutions, have recently completed or are planning expansions in the region. County unemployment levels have historically been below the state and national levels, and, as of August 2009, Monmouth County's unemployment rate measured 8.6%.

The U.S. Department of Defense's approved Base Realignment and Closure (BRAC) commission list, published in 2005, included the closure of Fort Monmouth, which is a military installation in the eastern portion of the county and the county's second-largest employer. According to the BRAC report, Fort Monmouth's closure will take place in 2011 and will eventually result in the elimination of roughly 5,300 direct civilian and military jobs in the county and another 4,500 indirectly associated jobs. The county has formed, in conjunction with the respective underlying municipalities and the state, the Fort Monmouth Economic Revitalization Authority to survey potential redevelopment opportunities. Standard & Poor's will continue to monitor the developments surrounding BRAC, but we believe that the federal government's aid in the closure process, combined with the county's strong long-term economic outlook, makes the property very attractive for future investment.

Financial Management Assessment: 'Strong'

Monmouth County's management practices are considered to be "strong" under Standard & Poor's Financial Management Assessment methodology. The FMA is designed to measure the policies and procedures used by the county's management as it oversees day-to-day operations. Among the highlights of Monmouth County's management techniques are a formal 7% minimum current fund balance target; various formal debt affordability policies including a 12% debt service carrying charge cap (debt service to current fund revenues) and a debt-to-market value limit of 0.75%; a six-year CIP with identified projects and funding sources; and a formal debt affordability pro forma model that forecasts the impact of new and future debt issuances on operations and policy limitations.

Nevertheless, the county attained a "standard" assessment in the long-term financial planning and investment management policy areas. The county does not maintain a formal revenue/expenditure forecast: Budgets are crafted in a manner that will simply adhere to aforementioned reserve and debt policies. Similarly, although the investment policies and portfolio are disclosed in the county's official statement, the investment guidelines are pursuant to the state's permitted investments guidelines.

Despite these standard marks, the overall management strengths are in keeping with the county's 'AAA' GO rating, and the creation and execution of the plans and policies clearly underlies the county's very strong assessment and rating.

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