

Monroe Township (Gloucester County), New Jersey

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Credit Profile

US\$2.8 mil GO rfdg bnds ser 2009 due 06/01/2014

Long Term Rating	AA/Stable	New
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' rating to Monroe Township, N.J.'s \$2.8 million series 2009 general obligation (GO) refunding bonds. The outlook is stable.

In our opinion, the rating reflects the township's:

- Primarily residential community with access to employment opportunities in Gloucester County (AA+/Stable) and the Philadelphia metropolitan statistical area (MSA);
- Strong financial position, and
- Moderate debt burden with limited capital needs.

The township's full faith and credit GO pledge secures the bonds. Officials will use bond proceeds to refund portions of the township's series 1999 general obligation bonds.

Monroe Township is in Gloucester County (AA+/Stable), about 20 miles southeast of Philadelphia. The 2008 population estimate for the township of 32,785 represents a 13.2% increase since the 2000 census.

The township is a primarily residential community and most residents commute into Philadelphia and throughout the county for employment opportunities. The tax base has seen healthy growth in the past several years due to rapid residential and commercial development. From 2002-2007, AV rose at an average of 4.1% annually as the township added about 250 new homes per year. However, management reports new construction has slowed and there are few new residential projects on the horizon. Officials expect a new super Wal-Mart store

to open in the township's commercial district by early 2010. In our view, wealth levels are strong, with median household effective buying income at 119% of national levels. Following a revaluation in fiscal 2008, assessed value (AV) increased to \$2.9 billion. This equals a market value of \$3.1 billion, which is \$93,328 per capita, a level we consider very strong. In our view, the tax base is also very diverse with the 10 leading taxpayers accounting for just 7.4% of total AV.

In our view, the township's financial position is strong, despite draws on reserves in the past two fiscal years. Unaudited results for fiscal 2008 show the township ending with a current fund balance of \$4.73 million or a still-strong 14.1% of expenditures. Management attributes the drawdowns to decline in revenues, primarily non property tax revenues, interest income and state aid cuts. The township receives about 47% of current fund revenues from property taxes. Current tax collections have been, in our opinion, adequate at 96% annually over the past five years.

We consider financial management practices "good" under Standard & Poor's financial management assessment (FMA). An FMA of "good" indicates that practices exist in most areas, although governance officials might not formalize or regularly monitor all of them. Elected officials receive monthly reports regarding the budget and investment holdings and the township follows the state's conservative investment policies. The township also maintains a six-year CIP that it updates annually as part of the budget process. However, there are no formal policies regarding debt management or reserve levels.

The township's debt profile is, in our opinion, moderate, as overall net debt is \$2,776 per capita and 3% of market value. Despite an above-average amortization rate, with 74% of debt being retired in 10 years, we believe debt service payments have represented a low carrying charge of 4.4% of fiscal 2007 current fund expenditures. There are no plans to issue additional debt in the near term.

Outlook

The stable outlook reflects the township's residential nature and access to diverse employment bases throughout the county and Philadelphia MSA. The township's favorable debt profile and carrying charge also provides credit stability. Given the state's 4% municipal levy, the stable outlook reflects Standard & Poor's expectation that the township will continue to maintain an adequate reserve position to offset any inability to raise taxes in an amount to satisfy budgetary obligations.

Abhishek Ahuja contributed to this report.

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