

RatingsDirect®

Summary:

Monroe Township (Gloucester County), New Jersey; General Obligation

Primary Credit Analyst:

Apple Lo, Boston (1) 617-530-8316; apple.lo@standardandpoors.com

Secondary Contact:

Timothy J Daley, Boston (1) 617-530-8121; timothy.daley@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Monroe Township (Gloucester County), New Jersey; General Obligation

Credit Profile

US\$4.265 mil GO rfdg bnds ser 2015

Long Term Rating AA/Stable New

Monroe Twp (Gloucester Cnty) GO

Long Term Rating AA/Stable Affirmed

Monroe Twp (Gloucester Cnty) GO (FGIC) (MBIA) (National)

Unenhanced Rating AA(SPUR)/Stable Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating and stable outlook to Monroe Township, N.J.'s series 2015 general obligation (GO) refunding bonds. At the same time, Standard & Poor's affirmed its 'AA' rating, with a stable outlook, on the township's GO debt outstanding. The township's full faith and credit pledge secures the bonds. We understand that proceeds will be used to refund a portion of the township's debt outstanding to achieve present value savings.

The rating reflects our opinion of the township's:

- Adequate economy, which benefits from Philadelphia and Camden's broad and diverse metropolitan statistical area (MSA);
- Strong budgetary flexibility, as demonstrated by improved finances;
- Weak budgetary performance, with operating deficit projected in its current fund, which is also the total governmental funds;
- Very strong liquidity to cover debt service and expenditures;
- Adequate management conditions, with "standard" financial management policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate debt and contingent liabilities with rising pension and other postemployment costs (OPEB); and
- Strong institutional framework.

Adequate economy

We view Monroe Township's local economy as adequate, with projected per capita effective buying income at 108% of the national average and per capita market value at about \$68,400. The county unemployment rate in 2013 was 8.5%, which is above the state and national averages. The township is about 20 miles southeast of Philadelphia, which we consider a broad and diverse MSA. Most residents commute into Philadelphia and countywide for employment opportunities. The township had a reassessment in fiscal 2009, leading to a 9% decline in assessed value (AV). Management represented that AV has increased by 0.6% to \$2.64 billion in 2015.

Weak budgetary performance

We consider Monroe Township's budgetary performance as weak overall, with a projection to end fiscal 2014 with an operating deficit of more than 1% in both the current fund and total governmental funds. The township had received several nonrecurring revenues in fiscal 2013, which resulted in 4.6% of operating surplus in both current and total governmental funds. The township will be adopting its 2015 budget at the end of March; preliminary assumption includes a fund balance appropriation of \$2.8 million. Officials have plans to achieve savings with a health insurance plan and receive equity distribution from the state in 2016 to balance the budget. The savings on health insurance plans will be recurring.

Strong budgetary flexibility

In our view, Monroe Township's budgetary flexibility is strong with available reserves at 13.3% of operating expenditures in fiscal 2013. Based on management's projection of a current fund drawdown, the township's fund balance is projected to be at about 10% at fiscal year-end 2014. Council's goal is to maintain the fund balance at above 10% to weather any cash flow or emergency needs.

Very strong liquidity

We believe very strong liquidity supports Monroe Township's finances, with total government available cash at 22% of total government fund expenditures and at 3.1x debt service. Based on past issuance of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.

Adequate management

We consider the township's management conditions adequate, with standard financial practices under our FMA methodology, indicating the government, in our opinion, maintains adequate policies in some but not all key areas. Standard & Poor's revised the township's FMA to "standard" from "good" due to irregular reporting of investment holdings and earnings to management and the long-term financial forecast, which included only one-year of projections. Strengths of the assessment, in our opinion, include strong revenue and expenditure assumptions in the budgeting process, strong oversight in terms of monitoring progress against the budget during the year, and a long-term capital plan. The township does not have a debt management policy and has not been able to consistently adhere to its reserve policy.

Adequate debt and contingent liability

The township's debt and contingent liability profile is adequate, in our view. Total governmental fund debt service is 7.1% of total governmental funds expenditures and net direct debt is 38.7% of total governmental funds revenue. Approximately 77% of the debt is repaid over 10 years. Although the township guaranteed the municipal authority's debt, we understand that the debt is self-supporting by the authority, which we consider a credit strength. We view the issuer's pension and other postemployment benefits (OPEB) obligations as large and, in our opinion, this is a negative credit factor. The township has contributed 100% of its annual required pension contribution. The annual pension and OPEB costs account for 12% of the total government expenditures in fiscal 2013. Monroe Township's OPEB's pay-as-you-go growth rate had increased from 9% to 16% between fiscal years 2009 to 2011. We do not consider the township's current plan as sufficiently addressing the rising OPEB costs.

Strong institutional framework

We consider the Institutional Framework score for New Jersey municipalities strong.

Outlook

The stable outlook reflects our view of the township's very strong liquidity and strong flexibility, supported by an adequate economy. We could take a rating action if Monroe Township is unable to execute its plan to return to balanced fund operations in 2016 and beyond, coupled with significant decline in budgetary flexibility. While unlikely within the outlook time frame, an adoption of additional formalized management policies and practices, coupled with significant improvement in the current fund balance level and performance, could lead us to raise the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Financial Management Assessment, June 27, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.