

RatingsDirect®

Summary:

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

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Summary:

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Credit Profile

US\$3.8 mil GO bnds ser 2012 due 03/01/2023

<i>Long Term Rating</i>	AA/Stable	New
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Monroe Twp (Gloucester Cnty) GO

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Monroe Twp (Gloucester Cnty) GO (FGIC) (MBIA) (National)

<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating and stable outlook to Monroe Township (Gloucester County), N.J.'s series 2012 general obligation (GO) refunding bonds and affirmed its 'AA' rating, with a stable outlook, on the township's existing GO debt.

The rating reflects our opinion of the township's:

- Primarily residential community with access to employment opportunities in Gloucester County (AA+/Stable) and the Philadelphia metropolitan statistical area,
- Very diverse property tax base that continues to experience ongoing tax appeals,
- Good-to-strong wealth and income compared with state and national averages and unemployment that is slightly above state and national rates,
- Stable finances despite recent drawdowns with still-strong reserves, and
- Moderate debt with limited capital needs.

The township's full-faith-and-credit GO pledge secures the bonds. Officials plan to use bond proceeds to retire the township's bond anticipation notes issued for various capital projects.

Monroe Township is in Gloucester County (AA+/Stable), about 20 miles southeast of Philadelphia. The population, currently at 34,423, is a 19% increase from the 2000 U.S. Census. The primarily residential township has an ample amount of land still available for development. Most residents commute into Philadelphia and countywide for employment opportunities. Unemployment has historically been just slightly above state and national rates; it was 9.8% in April 2012 compared with 9.1% for the state. Median household effective buying income is, in our opinion, a good 117% of national levels.

Since a revaluation in fiscal 2008, assessed value (AV) has remained, what we view as, relatively flat because ongoing tax appeals have offset any new growth. Fiscal 2012 AV is \$2.88 billion, and market value is \$2.77 billion; this equals a market value of \$80,626 per capita, a level we consider very strong. Leading taxpayers account for a very diverse 3.7%

of AV. Tax collections remain, in our opinion, good, averaging more than 96% over the past five years.

In our view, finances are sound despite draws on reserves over the past four fiscal years related to ongoing tax appeals and, to a lesser extent, revenue reductions. The fiscal 2012 budget is \$33.4 million, including a surplus appropriation of \$2.8 million, which is less than fiscal 2011. The tax levy is \$240,000 under the property tax levy limit, which the township will bank for future fiscal years. Fiscal 2011 ended with another drawdown of \$269,000. Township estimates have general fund balance at \$3.25 million, or, in our view, a still-strong 9.6% of expenditures. Fiscal 2010 closed with, what we view as, a modest \$13,000 drawdown and a general fund balance of \$3.5 million, or, in our view, a strong 11.3% of expenditures. Management indicates it will do what is required to manage finances and remain at, or below, the 2% levy cap.

Standard & Poor's considers the township's financial management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

In our opinion, the debt profile is moderate. Overall net debt is \$3,926 per capita, or 4.9% of market value. Despite what we consider above-average amortization with officials planning to retire 97% of debt over 10 years and 100% over 17 years, debt service payments represented, in our view, a low carrying charge of 7.1% of fiscal 2010 current fund expenditures. We understand the township does not plan to issue additional debt in the near future.

(For additional information on the township, please see the report, published March 8, 2012, on RatingsDirect on the Global Credit Portal.)

Outlook

The stable outlook reflects Standard & Poor's opinion of the township's residential nature and access to a diverse regional economy. The township's, in our view, currently still-strong reserves and manageable debt provide rating stability. We, however, could lower the rating within the outlook's two-year period if ongoing tax appeals were to continue to place pressure on finances and if the 2% levy cap were to hinder the maintenance of, what we consider, strong reserves.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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