

Summary:

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

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Credit Profile		
US\$6.105 mil GO rfdg bnds ser 2012 due 06/15/2018		
<i>Long Term Rating</i>	AA/Stable	New
Monroe Twp GO NR (FGIC)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Monroe Twp (Gloucester Cnty) GO rfdg bnds ser 2009		
<i>Long Term Rating</i>	AA/Stable	Affirmed
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 assessment 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, what we consider, 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 refund all of the township's series 2003 GO bonds.

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 rate; it was 9.9% in December 2011. Given the ample amount of available land, the township has recently experienced healthy residential and commercial growth. Due to the national recession, however, economic development has slowed. Management currently reports that some residential projects that it put on hold have begun to move forward. A new Wal-Mart Stores Inc. supercenter, previously delayed, is set to open in May 2012; officials expect this store to add 400 new full- and part-time jobs to the economy. Williamstown Square, another retail complex, is set to open in two years; it will include a few big-box retailers such as Kohl's.

Property tax base growth has slowed following the last property revaluation in fiscal 2007. Since fiscal 2008, assessed value (AV) has remained relatively flat. AV is currently \$2.87 billion; this equals a per capita market value of \$80,323, a level we consider very strong. Leading taxpayers account for a very diverse 3.7% of AV. Ongoing tax appeals have been sufficient to offset any new growth recently. The township continues to work to resolve the outstanding appeals due to the revaluation. Management is projecting AV to decline by another \$20 million-\$30 million for fiscal 2012 due to commercial tax appeals, even after factoring in Wal-Mart's opening. Tax collections, in our opinion, remain good, averaging more than 96% over the past five years. Wealth and income is, in our view, a good 93% of the state's level yet a strong 117% of the nation's level.

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. Although still unaudited, management is projecting fiscal 2011, ended on Dec. 31, to close with another drawdown, totaling \$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. 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 capital improvement plan that it updates annually as part of the budget process. There, however, are no formal debt management or reserve policies.

In our opinion, the township's debt profile is moderate since overall net debt is \$3,816 per capita, or 4.7% of market value. Despite what we consider above-average amortization, with officials planning to retire 80% of debt over 10 years and 100% over 17 years, debt service payments represented, in our opinion, a low carrying charge of 7.1% of fiscal 2010 current fund expenditures. The township plans to issue approximately \$4 million of additional debt in summer 2012 to fund various capital projects.

Outlook

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

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
- USPF Criteria: Financial Management Assessment, June 27, 2006

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at

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