

Rating Update: Monroe (Township of) NJ, (Gloucester County)

**MOODY'S UPGRADES TO A3 FROM Baa1 THE TOWNSHIP OF MONROE'S (GLOUCESTER COUNTY, NJ)
GENERAL OBLIGATION BOND RATING**

UPGRADE TO A3 AFFECTS \$12.99 MILLION OF OUTSTANDING DEBT

Municipality
NJ

Opinion

NEW YORK, Feb 14, 2007 -- Moody's Investors Service has upgraded to the Township of Monroe's (NJ) long-term G.O. bond rating to A3 from Baa1, affecting approximately \$12.99 million of outstanding long-term debt. The upgrade of the township's outstanding bonds incorporates the Monroe's improved financial position, steadily growing residential tax base and above-average debt position reflecting significant overlapping obligations.

CONTINUED GROWTH EXPECTED IN MODERATELY-SIZED TAX BASE

Moody's expects continued growth for the township's \$2.5 billion tax base given ongoing construction of single-family residences. Located nearly equidistant from Philadelphia (rated Baa1/stable outlook) and Atlantic City (rated Baa1/stable outlook), residents benefit from direct access to both metropolitan areas via the Black Horse Pike and the latter by the Atlantic City Expressway. New home construction has fueled healthy assessed value growth of 3.7% as the township has added an average of 250 new homes annually over the past several years, with selling prices in the \$300,000 to \$400,000 range. A softening of the housing market is expected to have only a minor impact on future construction and management projects the township to add 1,000 units over the next five years given permitted projects and significant land available for development. While Moody's believes these projects will fuel sound growth rates over the medium-term, longer term development may be constrained as newly proposed developments have been unable to obtain water allocations from the state. Income levels, while below state averages, are on par with national medians.

STABILITY EXPECTED FOR IMPROVED FINANCIAL POSITION

Moody's anticipates Monroe's financial position to remain stable as conservative budgeting practices have rebuilt reserves after efforts to mitigate tax increases depleted Current Fund balance to \$1.5 million, or less than 8% of Current Fund revenues, in 2002. Under new management in fiscal 2003, the township utilized only \$705,000 of surplus, less than one-third of prior year's amount, which was a key factor in raising Current Fund balance 89% to \$2.9 million or a much improved 13% of Current Fund revenues. Tax increases combined with conservative revenue estimates, careful expenditure controls, delinquent property tax collections and some one-time revenues produced two more surpluses in fiscal 2004 and 2005, bringing Current Fund balance to \$3.8 million or a solid 13.2% in the latter year. The township balanced a 2.9% increase in its fiscal 2006 budget with \$2.6 million of surplus and a moderate 3-cent tax increase. Unaudited financial results indicate \$2 million of excess property taxes, \$575,000 miscellaneous revenues in excess of budget and \$429,000 of non-budgeted revenues, considerably raising Current Fund balance to \$6.3 million

The 2007 budget is expected to increase \$2.35 million, or 8% reflecting rising debt service and pension obligations, negotiated salary increases and higher health insurance costs. Offsetting these increases the township anticipated \$4 million of fund balance as revenue, and while significantly higher than the 2006 appropriation is in keeping with its goal of maintaining Current Fund balance at 7% of the budget net of appropriation. Management reports plans to incrementally raise taxes, and believes that these revenue increases combined with continued conservative budgeting and ongoing efforts to reduce expenditures will continue to generate positive financial results. While Moody's expects the township's financial position to remain stable, we note that continued growth in appropriation of surplus presents a risk to the township's future financial position particularly given rising expenditure pressures and the non-recurring nature of certain revenue sources that contributed to prior years' surpluses.

DEBT BURDEN EXPECTED TO REMAIN ABOVE-AVERAGE

Monroe's 4.7% overall debt burden reflects significant overlapping obligations of Gloucester County and the

local school district and is expected to increase given a recently approved \$43 million referendum for school construction. The township itself is an infrequent issuer of debt, reflected in its 0.8% direct debt burden. Future capital needs include a \$3.7 million water project against which the township has secured \$2 million in state grants to date. At this time, financing of the remainder remains uncertain, however Moody's believes that should the township have to borrow for the remaining \$1.7 million this amount would not materially increase the township's debt burden. Amortization of existing principal is rapid at 78.7% in 10 years.

KEY STATISTICS:

2000 Population: 28,967

2006 Equalized value: \$2.6 billion

2006 Equalized value per capita: \$80,378

2000 Per capita income: \$20,488 (75.9% of the state)

2000 Median family income: (86.9% of the state)

Overall debt burden: 4.7%

Direct debt burden: 0.8%

Amortization of principal (10 years) 78.7%

FY05 Current Fund balance: \$3.8 million (13.2% of Current Fund revenues)

G.O. debt outstanding: \$12.99 million

Analysts

Erin Daugherty
Analyst
Public Finance Group
Moody's Investors Service

Elizabeth Bergman
Backup Analyst
Public Finance Group
Moody's Investors Service

Edith Behr
Senior Credit Officer
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

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