

Tax Supported  
New Issue

# Ocean County, New Jersey

## Ratings

New Issues	
\$31,090,000 General Improvement Bonds, Series 2010	AAA
\$15,000,000 County College Bonds, Series 2010	AAA
\$1,170,000 College Capital Improvement Bonds, Series 2010	AAA
\$43,830,000 General Obligation Refunding Bonds, Series 2010	AAA
Outstanding Debt	
GO Bonds	AAA

## Rating Outlook

Negative

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## New Issue Details

**Sale Information:** \$31,090,000 General Improvement Bonds, Series 2010, \$15,000,000 County College Bonds, Series 2010, \$1,170,000 College Capital Improvement Bonds, Series 2010, and \$43,830,000 General Obligation Refunding Bonds, Series 2010, selling via competitive sale on July 27.

**Security:** Full faith and credit and the county pledges its ad valorem tax, without limitation as to rate or amount. County capital improvement bonds are additionally secured by annual appropriation payments from the state of New Jersey.

**Purpose:** For capital improvements and refunding.

**Final Maturity:** Aug. 1, 2030

## Related Research

### Applicable Criteria

- [Tax-Supported Rating Criteria, Dec. 21, 2009](#)
- [U.S. Local Government Tax-Supported Rating Criteria, Dec. 21, 2009](#)

### Other Research

- [Fitch Rates Ocean County, NJ GO Bonds 'AAA' Outlook Revised to Negative from Stable, July 13, 2010](#)

## Rating Rationale

- The Negative Rating Outlook reflects Ocean County's decreased financial flexibility due to multiyear imbalance.
- The county is advantageously located between New York and Philadelphia, providing ample employment opportunities.
- The county benefits from seasoned management with prudent budgeting and capital management practices.
- Debt levels are manageable and should remain so despite the ongoing capital needs of this growing community.

## What Could Trigger a Downgrade?

- The county's inability to regain structural equilibrium within the next few years given the protracted economic downturn.
- The county's inability to address future capital needs while simultaneously maintaining manageable debt ratios.

## Credit Summary

The county encompasses a large land area of 634 square miles including 45 miles of oceanfront located in eastern central New Jersey. The county benefits from both abundant waterfront access, which draws seasonal tourism, and proximity to both New York City (located 60 miles north) and Philadelphia (located 50 miles to the southwest). Wealth levels are below average at 86% of the state mean; however, additional wealth flows into the county during the summer months given the influx of both tourists and affluent secondary homeowners within the coastal communities. April 2010 unemployment rates were slightly elevated at 10.3% compared to 9.6% and 9.5% for the state and national average, respectively. Population grew 12.3% between 2000 and 2009, and is projected to increase an additional 8.6% by 2016 to 622,000 residents. After years of robust expansion, full market value growth has slowed recently, including a 4% decline in 2010; however, full value per capita is still well above average at \$183,920. As of fourth-quarter 2009, foreclosure rates were 129% of the national average, yet tax receipts have not been adversely affected as the county receives 100% collections from its local communities.

## Debt Statistics

(\$000)

This Issue	91,090
Outstanding Debt	661,708
Direct Debt	752,798
Less: Self-Supporting Debt	321,249
Net Direct Debt	431,549
Overlapping Debt	1,334,687
Total Overall Debt	1,766,236

### Debt Ratios

Direct Debt Per Capita (\$) <sup>a</sup>	752
As % Full Market Value <sup>b</sup>	0.4
Overall Debt Per Capita (\$) <sup>a</sup>	3,079
As % Full Market Value <sup>b</sup>	1.7

<sup>a</sup>Population: 573,678 (2009 estimate).

<sup>b</sup>Full market value: \$105,510,706,000 (2010 estimate). Note: Numbers may not add due to rounding.

## Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Negative	7/13/10
AAA	Revised	Stable	4/30/10
AA+	Affirmed	Stable	8/7/09
AA+	Affirmed	Stable	8/11/09
AA+	Upgraded	Stable	8/8/06
AA	Affirmed	Positive	8/6/04
AA	Assigned	Stable	8/18/92

Due to the protracted recession, the county generated small operating deficits for the last three years, which has led to diminished unreserved ending current fund balances. The county has budgeted another drawdown in fiscal 2010, reducing the balance to 7.5% of anticipated expenditures. County officials took proactive steps to ameliorate its structural imbalance in 2010 including increasing its property tax levy by 7.2% and eliminating 65 staffing positions through attrition and vacancies. The county's ability to restore structural equilibrium is key to the preservation of the current rating.

Overall debt levels are affordable on a per capita basis at \$3,079 per capita and low at 1.7% of full market value. Maximum annual debt service is manageable at roughly 14% of expenditures, and principal amortization is rapid with 71% repaid within 10 years. Given the projected growth in population, the county likely will have sustained future capital needs. Management is revisiting its immediate capital plans to balance its ongoing capital needs with available resources.

## Current Fund Financial Summary

(\$000, Audited Years Ended Dec. 31)

	2005	2006	2007	2008	2009 <sup>a</sup>
Revenues	316,785	331,505	344,205	366,654	370,048
Expenditures	310,984	325,546	343,055	363,046	362,377
<b>Net Change</b>	<b>5,801</b>	<b>5,959</b>	<b>1,150</b>	<b>3,608</b>	<b>7,671</b>
Net Credits and Adjustments	(4,086)	(3,807)	(6,289)	(6,105)	(19,870)
<b>Net Income/(Deficit)</b>	<b>1,715</b>	<b>2,152</b>	<b>(5,139)</b>	<b>(2,497)</b>	<b>(12,199)</b>
Unreserved Fund Balance	52,842	54,995	49,075	46,592	34,393
As % of Expenditures	17.0	16.9	14.3	12.8	9.5

<sup>a</sup>Unaudited. Note: Numbers may not add due to rounding.

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