

**Moody's Investors Service****Municipal Credit Research****High Profile New Issue****Bergen (County of), NJ
Bergen County Improvement Authority**

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Ratings & Contacts

Category	Moody's Rating	Analyst	Phone
County General Obligation Bonds	Aaa	Edward Krauss/New York	1.212.553.0822
County Guaranteed BCIA Bonds	Aaa	Yaffa Rattner	1-212-553-4429
		Linda Hird Lipnick	1-212-553-1617

Details of Bond Sale**Issuer:** Bergen County**Sale Amount:** \$30,000,000, General Obligation Bonds of 2002.**Competitive Sale Date:** March 28, 2002**Security:** General Obligation, Unlimited Tax**Use of Proceeds:** To fund a number of capital improvement projects including roads, buildings and open space, and purchase various equipment.**Issuer:** Bergen County Improvement Authority**Sale Amount:** \$7,290,000, County Guaranteed Revenue Bonds, Series 2002A,B&C.**Expected Negotiated Sale Date:** March 13, 2002**Security:** County General Obligation Guaranty**Use of Proceeds:** 2002A) to make loans to municipal units for capital equipment; B) to the County Housing Development Corporation to fund a low income building; C) improvements to Bergen Regional Medical Center.**Key Issuer Contacts/Underwriter**Alfred Dispoto, 201.336.6560
County & Authority Chief Financial Officer**Key Indicators**

2000 Population:	884,118 (+7.1% since 1990)
2001 Full Valuation:	\$94.5 billion
Full Value Per Capita, 2001:	\$106,873
Overall Net Debt Burden:	1.9%
Direct Debt Burden:	0.4%
10-year Payout of Principal:	98%
General Fund Balance, FY 2001 unaudited:	\$18.8 million (5.6% of revenues)
Unemployment (December 2001):	4.0%

Opinion

Moody's Investors Service has assigned a Aaa rating to the Bergen County's \$30 million Series 2002 General Obligation Bonds. In addition, Moody's has assigned a Aaa rating to the Bergen County Improvement Authority's (BCIA) \$7.3 million County Guaranteed Bonds, Series 2002 A, B,&C. We have also affirmed the Aaa rating on the county's approximately \$266 million of direct and guaranteed debt outstanding. This strongest security rating, which carries a stable outlook, reflects the county's significant taxable resources, satisfactory financial position with strong management, and below average debt burden with rapid payout. Secured by the county's general obligation, unlimited tax pledge, the county bonds will be used to fund a number of capital improvement projects and equipment purchases. The BCIA proceeds will be used to purchase equipment and construct facilities which will be leased to various towns and school districts within the county, with a remaining portion to be lent directly to the county's Housing Development Corporation, and BCIA's medical center. The BCIA rating is directly linked to the county's general obligation bonds, since all of its debt is ultimately secured by the county's unlimited tax pledge to make up any lease payment deficiencies.

Outlook

The stable outlook for Bergen County is based upon Moody's expectation that the county will continue to demonstrate conservative budgeting practices and adhere to prudent fiscal policies. This will allow reserve levels to stabilize at current levels and ensure maintenance of adequate financial flexibility.

Bergen (County of), NJ/Bergen County Improvement Authority

Rating History

<u>Date of Rating Change</u>	<u>Rating</u>
1975	Aaa
1939	Aa
1938	A

Author

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Strengths/Opportunities

- Large and diversified \$94 billion tax base centrally located to the New York Metropolitan economy.
- Strong monitoring and well-established history of successful financial operations.
- Low tax rates and a substantial taxing margin provide considerable flexibility to increase revenues.
- Modest debt levels, a rapid payout, and limited future borrowing requirements support Moody's expectation for maintenance of a very favorable debt position.

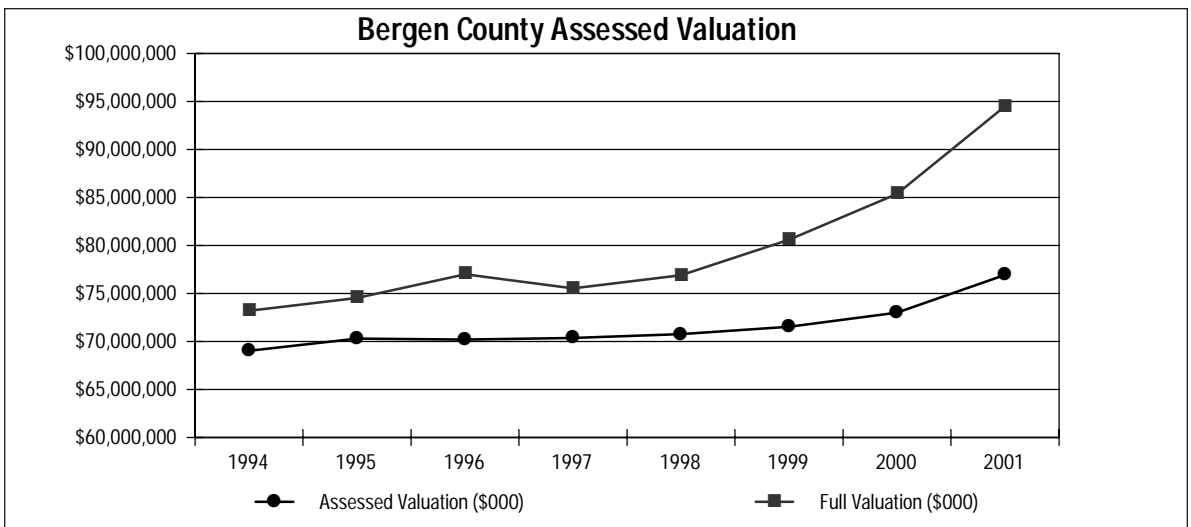
Weaknesses/Challenges

- The regional economic recession's affect on revenues, an increase in state mandated costs and smaller state funding could unbalance the county's 2002 budget requiring adjustments to maintain their relatively modest fund balance reserves.

Analysis

LARGEST TAX BASE IN NEW JERSEY BENEFITS FROM A SUBSTANTIAL RETAIL AND RESIDENTIAL COMPONENT

Moody's feels the county's economy will remain vibrant given its size, diversity, and affluent resident population and should be able to weather the recession affecting the region. Both its tax base of \$94 billion and population of more than 884,000 (up 7% since 1990) are the largest in the state, and full value per capita of \$107,000 is among the highest in the state as well. Tax base growth in the last five years has been strong, averaging 6.3% a year, while adding \$19 billion to market valuation during this period, including \$9 billion last year. Officials expect continued, though more modest increases this year and next, reflecting sustained economic activity in the northern part of the county. Also, the county has received some office relocations from New York City since September 11th. Prime residential, retail and commercial development characterize the mature tax base. And the significant retail sector, which leads the state in sales both on a dollar amount and per capita basis, supports substantial private sector employment. Wealth levels, above the state's already high norms according to the last census, are expected to remain high. Located just across the Hudson River from New York City to which a large number of residents commute, employment levels have been somewhat affected by the tragic events of September 11th as well as prior economic weakness in the region since last Spring. As a result, the county's December unemployment rate of 4% was up sharply from 2.7% a year ago, though still below the 4.6% state average.



BALANCED OPERATIONS EXPECTED TO CONTINUE AFTER RECENT PLANNED USE OF RESERVES

Moody's believes the county's finances should stay sound despite significant use of reserve funds in recent years. After years of building fund balance, the county intentionally reduced reserves over several years through 2000 in an effort to reduce the property tax rate, and take advantage of the vibrant economy. In spite of a \$32 million decline in fund balance, however, General Fund balance at the end of 2000 of \$18 million, or 5.6% of revenues, still provides adequate financial flexibility for this well-managed county and this level of reserves has stabilized. Unaudited results for 2001 show a \$900,000 operating surplus for the year and maintenance of similar fund balance levels - an important factor supporting our stable outlook. Conservatively budgeted revenues and expenditure controls contributed to the surplus with \$17 million of 2000 fund balance appropriated and subsequently returned to reserves.

The 2001 property tax rate of \$2.20 mills was the lowest county rate in the state after five consecutive years of decreases from \$2.64, providing officials with substantial flexibility to increase this revenue source to offset any weakness and uncertainty about state funding. For the 2002 fiscal year, the county is expected again to appropriate most of the fund balance for current year operations. However, it has shown itself able to replenish roughly \$15 to \$20 million of reserves annually, indicative of its strong financial controls and conservative budgeting practices, and officials expectation of maintaining reserves at current levels is factored into our stable outlook. As part of the budget process expected to be completed in the spring, management is committed to reviewing revenue and expenditure initiatives, including future tax rate decisions, to ensure the county's ability to achieve budgetary balance and sustain financial flexibility. Expenditures continue to grow more moderately because of early retirement incentives that the county has offered since 1998, which have allowed it to trim its workforce and hire lower-salaried replacements.

Also, another factor in controlling expenditures was the leasing of the county's medical center to the BCIA in 1997 and appointing private management for the facility. According to its lease with BCIA through 2017, the county has the option to subsidize the maintenance of hospital services. Officials report that the privatization of the hospital has met its goal of controlling costs and although the county provides capital support for the hospital it has not had to subsidize operations or reduce medical services.

Current Fund Financial Position (Fiscal Years Ended 12/31 \$000)

NJ Statutory Method of Acctg.

	1997	1998	1999	2000	[1] 2001
Cash and investments	\$89,282	\$59,425	\$56,046	\$47,676	\$40,522
Other current liabilities	\$56,597	\$35,965	\$35,514	\$29,776	\$21,719
Year-end cash surplus (deficit)	\$32,685	\$23,460	\$20,532	\$17,900	\$18,803
Fund balance	\$32,685	\$23,460	\$20,941	\$17,900	\$18,803
Adjusted fund balance (2)	\$47,195	\$39,366	\$40,818	\$42,991	\$48,803
Revenues	\$448,165	\$333,194	\$315,953	\$323,996	\$338,121
Fund balance as % of Revenues	7.3%	7.0%	6.6%	5.5%	5.6%
Adjusted fund balance as % of Revenues	10.5%	11.8%	12.9%	13.3%	14.4%

Footnotes:

Fund balance includes deferred charges and excludes reserved receivables.

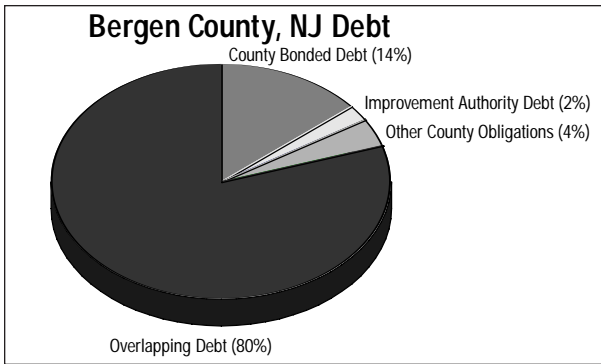
Adjusted fund balance includes reserved receivables (mostly state and federal grants net of liens) and excludes deferred charges.

1. FY 2001 finances are unaudited.

2. Adjusted fund balance captures reserved receivables in a conversion to a GAAP-like accounting presentation. Most of the reserved receivables represent collections of the BCIA Medical Center patient accounts outstanding prior to March 1998. These collections must be reserved until the BCIA lease expires in 2017.

LOW LEVEL OF RAPIDLY RETIRING DEBT WITH MANAGEABLE BORROWING PLANS

The county's overall debt burden remains low at 1.9%, and direct debt is minimal at just 0.4%. Moody's expects the county's debt will remain easily affordable given a very rapid payout schedule, with 98% of direct debt maturing within ten years, and manageable borrowing plans of about \$30 million annually. Last year, the county completed its new administration headquarters, which was financed by \$67.5 million lease rental bonds issued through the NJEDA, and in 1999 the state completed its take-over of all court costs, mitigating major capital needs in the future. Its six-year \$200 million capital improvement program calls for \$78 million designated for road and bridge purposes, \$36 million for equipment purchases, \$27 million for building improvements, and \$18 million each for open-space acquisition and education facilities. Later this year, the county expects to issue an additional \$25 million bonds for a juvenile detention center and a new countywide communication system.



Debt Ratios		
Net Debt	Per Capita	% F.V.
Direct	\$939	0.4%
Overall	\$1,983	1.9%

Rate of Retirement*		
Principal Amount Due	Amount (\$000)	% Retired
In 5 years	\$150,483	63%
In 10 years	\$233,209	97%

* General obligation bonds only.

COUNTY DEVELOPING PLAN TO DEFEASE UTILITY AUTHORITY'S NON-GUARANTEED SOLID WASTE DEBT

The county and its utility authority is expected to complete by mid-year a multi-governmental agreement with the state and the Hackensack Meadowlands Development Commission that would defease the utility authority's \$91 million Series 1992, Solid Waste Revenue Bonds (rated Aaa FGIC insured) used to finance its landfill system. The plan would result in the take-out of the authority's stranded costs and the redevelopment of its property. Following payoff of the bonds, the utility authority will stop providing a transfer station and shipping of waste to out-of-state landfills that is now being used by 22 of the county's 70 municipalities. The authority's competitive tip fee of \$60 is at the state's average and this has allowed it to maintain a steady waste stream of 500,000 tons annually. Since the loss of flow control, the non-guaranteed bonds have been paid from dedicated reserve funds, as project revenues have been inadequate, and these reserves are expected to remain sufficient through the defeasing of the bonds.

BCIA DEBT STRONGLY SECURED BY COUNTY AND LOCAL UNITS; ADEQUATE TIMING PERMITTED FOR COUNTY GUARANTEE

Moody's believes that the BCIA structure whereby local units make loan payments 30 days before debt service on the bonds is due ensures timeliness for the county's general obligation, unlimited tax guarantee. In addition, about \$5 million of the \$7.3 million current issue will be paid directly by the county for its projects and the remaining \$400,000 of annual debt service due from other entities represents an affordable expenditure, if necessary, on the county's \$330 million operating budget.

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