

Rockwall County, Texas

General Obligation Bonds New Issue Report

Ratings

New Issue

Unlimited Tax Road Bonds,
Series 2012

AA

Outstanding Debt

Unlimited Tax Bonds
Limited Tax Bonds

AA

AA

Rating Outlook

Stable

New Issue Details

Sale Information: \$16,740,000 Unlimited Tax Road Bonds, Series 2012, via negotiated sale the week of Jan. 9.

Security: Unlimited ad valorem tax pledge levied against all taxable property within the county.

Purpose: To fund various road projects and pay related costs of issuance.

Final Maturity: Feb. 1, 2032.

Key Rating Drivers

Strong Financial Position: Rockwall County maintains a strong financial profile as evidenced by very large reserve levels and high liquidity. A degree of financial flexibility is provided by the county's relatively low direct tax rates in its various tax levies.

Favorable Location and Socioeconomic Indicators: The county's proximity to the Dallas-Fort Worth metroplex and location along Lake Ray Hubbard has fueled the county's rapid population growth. Income and wealth levels are well above MSA, state, and national averages.

Flat but Stable Tax Base: The county's tax base is generally stable and fairly diverse. Growth has flattened over the past three fiscal years due largely to weak economic conditions as compared to the sizable annual gains realized in fiscal years 2007–2009. However, Fitch Ratings believes that the county's long-term growth prospects remain favorable.

High Overall Debt: Overall debt levels are high, and Fitch anticipates they will remain elevated as the county proceeds with its large bonded road projects over the next several years. In addition, overlapping issuers will face further capital pressures from the ongoing population growth expected.

Related Research

For information on Build America Bonds, visit
www.fitchratings.com/BABs.

Heath, Texas, Oct. 15, 2010

Rockwall County, Texas, May 6, 2010

Analysts

Rebecca C. Moses

+1 512-215-3739

rebecca.moses@fitchratings.com

Rebecca Meyer

+1 512-215-3733

rebecca.meyer@fitchratings.com

Rating History

Rating	Action	Outlook/ Watch	Date
AA	Affirmed	Stable	1/4/12
AA	Affirmed	Stable	5/4/10
AA	Revised ^a	Stable	4/30/10
AA-	Assigned	Stable	6/4/09

^aReflects recalibration.

Credit Profile

Finances

Fitch considers the county's financial profile to be very strong. Financial performance is generally positive, characterized by general fund surpluses and increasing reserves in recent years. Essentially breakeven general fund results were posted in fiscal 2010 that maintained a very large \$20.9 million unreserved general fund balance, or approximately 85% of spending. Liquidity in fiscal 2010 also remained strong at \$21.3 million in cash/investments that equaled over 10 months of general operational spending.

General Fund Financial Summary

(\$000, Audited Fiscal Years Ended Sept. 30)

	2006	2007	2008	2009	2010
Revenues	20,499	21,301	23,742	24,448	24,363
Expenditures	17,529	19,230	23,969	21,692	23,996
Operating Surplus/(Deficit)	2,970	2,071	(227)	2,756	367
Transfers In	0	0	42	0	0
Other Sources	951	2,400	2,008	23	96
Transfers Out	(1,172)	(353)	(151)	(1,611)	(591)
Net Surplus/(Deficit)	2,750	4,118	1,672	1,168	(128)
Total Fund Balance	13,837	18,514	19,827	20,995	20,867
As % of Expenditures, Transfers Out, and Other Uses	74.0	94.5	82.2	90.1	84.9
Unreserved Fund Balance	13,296	18,514	19,827	20,995	20,867
As % of Expenditures, Transfers Out, and Other Uses	71.1	94.5	82.2	90.1	84.9
Unreserved, Undesignated Fund Balance	13,296	17,413	19,827	20,995	20,867
As % of Expenditures, Transfers Out, and Other Uses	71.1	88.9	82.2	90.1	84.9

Note: Numbers may not add due to rounding.

Unaudited fiscal 2011 results point to another operating surplus. However, due to the \$2.4 million in planned pay-as-you-go capital spending, the county expects an \$800,000 draw on reserve. The resulting cushion still totals a very large \$20.0 million, or 78% of spending, by year end, still well above the county's formal reserve policy that requires a minimum of four months.

The adopted \$23.8 million fiscal 2012 budget is balanced on an operational basis. However, another round of higher than usual pay-as-you-go capital spending, primarily for completion of the new courthouse, is conservatively budgeted to draw down reserves to \$14.3 million, or 47% of spending. As is typical of most fiscal years, management expects actual spending to be less than budgeted, resulting in stronger year-end performance, which Fitch believes is likely.

Comparable to other Texas counties, Rockwall County is responsible for limited services, including roads, bridges, civil and criminal courts, law enforcement, and indigent medical care. Roughly 80% of general operating revenues come from property taxes and the county continues to maintain a relatively low tax rate at nearly \$0.39 per \$100 taxable assessed value as of fiscal 2012.

Tax Base and Economy

Rockwall County is 25 miles northeast of Dallas, Texas along Lake Ray Hubbard, bisected by I-30. Geographically the smallest in the state, the county includes the towns/cities of Rockwall,

Related Criteria

[Tax-Supported Rating Criteria, Aug. 15, 2011](#)

[U.S. Local Government Tax-Supported Rating Criteria, Aug. 15, 2011](#)

Fate, Heath, and McLendon-Chisholm and the eastern portion of Rowlett. At 7.6% as of September 2011, county unemployment levels remain comparable to historical trends that are generally below metropolitan, state, and U.S levels. Income and wealth levels as measured by per capita and median household income are well above average.

Property Value Trends

(\$000, Fiscal Year Ending Sept. 30)

Year	Taxable Assessed Valuation	Change (%)
2006	4,894,044	9.3
2007	5,646,745	15.4
2008	6,261,535	10.9
2009	6,736,418	7.6
2010	6,909,734	2.6
2011	6,901,863	-0.1
2012	6,919,172	0.3

Currently estimated at about 97,000, population in Rockwall County grew rapidly over the past decade at an annual average of 7%. Recreational facilities and commuting accessibility to the Dallas metropolitan area spurred increased tourist trade and residential development in the county that led to sizable annual gains averaging 11% in the primarily residential tax base during fiscal years 2007–2009.

More recently, tax base gains have flattened, although the county’s tax base remains stable. Market value has hovered at \$7.5 billion over the past three fiscal years (2010–2012) due largely to overall weak economic conditions. Taxpayer concentration is minimal. Prospects for renewed growth (albeit at a slower pace) remain positive given the ongoing expansion of various transportation corridors in the county that will provide added access to the Dallas-Fort Worth metroplex.

Debt

Overall debt levels are high at approximately \$7,250 on a per capita basis and 9.3% of market value, reflective of the area’s rapid growth. On a direct basis, the county’s debt levels remain low at 1% of market value and about \$750 per capita. Principal amortization is below average at 44.5% retired in 10 years. Fitch anticipates overall debt levels will remain elevated as use of the remaining \$87.0 million authorized in road bonds is planned over the next several years once Texas Department of Transportation funding becomes available. Another issuance of road bonds in the amount of \$25.8 million is currently planned for late 2012.

Debt Statistics

(\$000)

This Issue	16,740
Outstanding debt	56,500
Direct Debt	73,240
Overlapping Debt	631,855
Total Overall Debt	705,095
Debt Ratios	
Direct Debt Per Capita ^a	753
As % of MV ^b	1.0
Overall Debt Per Capita ^a	7,250
As % of MV ^b	9.3

^aPopulation: 97,249 (estimated 2012). ^bMarket value (MV): \$7,587,925 (2012). Note: Numbers may not add due to rounding.

Near-term capital needs are otherwise relatively modest, given recent completion of the new county courthouse. County officials anticipate the next large capital project necessary within roughly five years will be expansion of the existing jail facility. Historically, voter support has been mixed for the county’s general obligation propositions (while voters have approved road bond authorizations, the ballot proposition for the county courthouse was turned down twice by voters), which may pose an additional challenge when county officials next seek bonding authority.

The county participates in the Texas County and District Retirement System. The county's funded ratio in this statewide agent multi-employer plan was strong at 99.86% as of Dec. 31, 2009 and better than most participants due to management's proactive measures to boost its funded position with additional lump sum contributions in prior fiscal years. Pension funding that exceeded the annual required contribution comprised a sizeable 10.5% of fiscal 2010 spending; the unfunded actuarial accrued liability was a low 1% of covered payroll.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Copyright © 2012 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.