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Summary:
Rockwall County, Texas; General Obligation

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Credit Profile		
US$16.74 mil unltd tax rd bnds ser 2012 dtd 01/01/2012 due 02/01/2032		
Long Term Rating	AA/Stable	New
Rockwall Cnty GO		
Long Term Rating	AA/Stable	Affirmed
Rockwall Cnty GO (CIFG)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to Rockwall County, Texas' series 2012 unlimited-tax general obligation (GO) road bonds and affirmed its 'AA' long-term rating and underlying rating (SPUR) on the county's existing GO debt. The outlook is stable.

The rating reflects our opinion of the county's:

- Access to the Dallas-Fort Worth metropolitan statistical area, leading to strong residential and commercial growth;
- Very strong income levels; and
- Very strong financial position, supported by good financial practices.

We believe the county's high overall debt burden, coupled with additional debt-financed capital needs, somewhat offsets these strengths.

The county's full faith and credit pledge secures the unlimited-tax road bonds. Officials will use bond proceeds to fund the construction of road improvements, including participating in the cost of joint projects with various state, city, and regional council of government entities.

Rockwall County, with an estimate population of 97,249, is 20 miles east of Dallas County on Lake Ray Hubbard's eastern shores. The county is primarily a residential community that has experienced rapid growth recently, with its population increasing by an average of 5% annually for the past five years. Improved transportation access to the Dallas Metroplex and the recreational facilities provided by Lake Ray Hubbard have been contributing factors to strong growth trends. Services and retail trade dominate the local economy. Leading employers include Rockwall Independent School District (1,600 employees), Royse City Independent School District (703), and Lake Pointe Medical Center (600). Retailers include Wal-Mart Stores Inc., Target Corp., Kohl's Corp., The Home Depot, and Lowe's Cos. Inc. The property tax base has remained relatively flat for the past three years due to the area's economic slowdown and is $6.9 billion for fiscal 2012. Preliminary estimates from the appraisal district project 0.5% to 2% growth for the next budget year. Market value, an indicator of wealth, is $71,149 per capita, which we view as strong. We also consider county income levels very strong: Median household effective buying income is

50% above the state's average and 48% above the nation's average.

In our opinion, Rockwall County's financial position remains very strong. Despite a rapidly growing residential population and increasing service needs, the county has continued to maintain its unreserved general fund balance above $20 million. Officials report that the operating budget is balanced for fiscal 2012. The county also plans to use roughly $5 million from the general fund to pay off the new courthouse, but expects this draw to be partially offset by the sale of several properties anticipated to occur in fiscal 2012, which is projected to bring in $2.5 million. For unaudited fiscal 2011, management estimates that it used about $787,000 from reserves on capital needs and will end the year with a $20 million fund balance, or a very strong 89% of expenditures. At fiscal year-end 2010, the unreserved general fund balance totaled $20.8 million, or 86% of operating expenditures. Although operating revenues exceeded expenditures during the year, a $590,000 transfer from the general fund for capital projects resulted in a small $127,000 draw to reserves in fiscal 2010. The total property tax rate has remained unchanged for fiscal 2012 at 38.6 cents per $100 of AV.

Rockwall County's management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Officials monitor the budget monthly, and they have the flexibility to make adjustments as needed. The county has formal written financial management policies for investments, which follow investment guidelines outlined by state statutes, with monthly updates to the governing body. A formal reserve policy was adopted in March 2010 to maintain four to six months' annual budgeted expenditures, partly based on cash needs. In October 2010, the commissioners court adopted a general debt management policy. The county currently lacks policies in some areas, including long-term financial and capital planning.

Following this issue, the overall net debt burden is $7,254 per capita, or 10.2% of market value, which we view as high. In our opinion, amortization is below average, with officials planning to retire 40% of principal over 10 years. The debt service carrying charge is elevated at 20% based on estimated fiscal 2010 general fund expenditures. The county plans to issue $25.5 million in GO bonds in October 2012 for additional road projects.

The county participates in the Texas County and District Retirement System, a statewide defined benefit pension plan. The county's contribution rate is actuarially determined annually. Management reports that the plan was fully funded in 2011. The county's actual contributions in both 2010 and 2011 ($2.6 million and $1.4 million, respectively) exceeded the required amounts. The county also offers health benefits to retirees through the county's self-insured plan for those retiring before age 65 or the retiree may choose to obtain coverage through the CountyChoice Silver plan offered by the Texas Association of Counties if retiring at age 65 or older. To offset the cost of health care coverage, the county provides a $200 monthly stipend to qualified retirees. Expenses for postretirement health care benefits (OPEB) are recognized on a pay-as-you-go basis. In fiscals 2010 and 2011, the county paid $68,965 and $74,155, respectively. At the end of fiscal 2010, the county's net OPEB obligation was $345,417, which represented 1.4% of general fund expenditures.

Outlook

The stable outlook reflects Standard & Poor's expectation that the county should maintain its strong reserves while weathering the regional economic slowdown. We do not expect the rating to change within the two-year parameter of the stable outlook as we anticipate property taxes, the county's major revenue stream, to remain relatively steady and that property tax base expansion should continue, albeit at a slower pace, which should help the county sustain its financial position while managing its already high debt levels and future capital needs.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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