New Issue: Collin (County of) TX

MOODY'S ASSIGNS Aaa UNDERLYING RATING TO COLLIN COUNTY'S $41 MILLION UNLIMITED TAX ROAD BONDS, SERIES 2008 AND $16.845 MILLION LIMITED TAX REFUNDING AND PERMANENT IMPROVEMENT BONDS, SERIES 2008

Aaa AFFECTS $232.6 MILLION IN UNLIMITED TAX DEBT AND $157.5 MILLION IN LIMITED TAX DEBT

County
TX

Moody's Rating

ISSUE		RATING
Limited Tax Refunding and Permanent Improvement Bonds, Series 2008		Aaa
Sale Amount	$16,845,000	
Expected Sale Date	06/10/08	
Rating Description	GOLT	
Unlimited Tax Road Bonds, Series 2008		Aaa
Sale Amount	$41,000,000	
Expected Sale Date	06/10/08	
Rating Description	GOULT	

Opinion

NEW YORK, Jun 5, 2008 -- Moody's Investors Service has assigned a Aaa rating to Collin County's [TX] upcoming sales of $45.5 million Unlimited Tax Road Bonds, Series 2008 and $12.315 million Limited Tax Refunding and Permanent Improvement Bonds, Series 2008. At the same time, Moody's has affirmed the Aaa rating on $191.605 million in outstanding unlimited tax debt and $140.665 million in outstanding limited tax debt. The obligations constitute direct obligations of the County, payable from the levy and collection of a direct annual ad valorem tax; however the road bonds carry the County's unlimited taxing authority while the permanent improvement bonds are limited as to rate or amount. Proceeds from the unlimited tax road bonds will be used to fund road improvements and proceeds from the limited tax bonds will refund outstanding debt for savings and fund park land and open space projects. Assignment of Moody's highest credit rating reflects an expansive economic base supported by ongoing population growth and a favorable socio-economic profile. The rating also takes into consideration historically solid financial operations as well as manageable debt burdens with future debt anticipated.

DIVERSIFIED DEVELOPMENT DRIVES TAX BASE EXPANSION

Located in Northeast Texas, within the northern portion of the Dallas/Fort Worth metropolitan area, Collin County continues to experience substantial growth. Recently ranked among the 100 fastest growing counties in the nation, the tax base continues to expand due to residential development as well as ongoing retail and commercial construction. The population grew 86% between the 1990 and 2000 Census years and has subsequently increased another 50% reaching an estimated 740,000 in 2008. The population in-migration has not diluted per capita income (PCI), which improved to 170% of the state's value in 2000 from 159% of the state's median in 1990. Over the last five years, the tax base has increased an average of 8.0% annually. In fiscal 2008, the tax base grew a notable 10% reaching $68.6 billion. Although residential properties comprise over 60% of the tax base, commercial and retail construction is ongoing with restaurants and large shopping areas. New construction is significant in the multitude of cities within the County. Although the rate of development is slowing, growth is still anticipated for the long term due to extensive new construction underway. Additionally, the bulk of the northeastern portion of the county remains rural and undeveloped allowing plenty of opportunity for further expansions.

CONSERVATIVE FISCAL MANAGEMENT; AMPLE FINANCIAL FLEXIBILITY

The County has demonstrated a strong history of maintaining ample financial reserves as a result of prudent fiscal management. Despite budgeting for annual decreases to the fund balance for one time capital expenditures, conservative budgeting has actually supported annual surpluses. Operating revenues are supported 84% from property taxes and the increasing full valuation produces healthy revenue collections. The available general fund reserve has grown to a sizable $119 million or 74.6% of general fund revenues for the 2007 fiscal year end. The fund balance has grown due to primary operating revenues increasing from tax base expansion and user fees. The 2008 fund balance is projected to remain similar to 2007 or to slightly increase. The combined $2.45 total tax rate per $1,000 of assessed valuation is notably below the $8.00 statutory limit for Texas counties allowing for financial flexibility. Moody's believes the County's solid financial management is reflected in the reserve level and conservative budgeting practices.

DIRECT DEBT POSITION EXPECTED TO REMAIN MODEST DESPITE ADDITIONAL BORROWING PLANS

The County continues to maintain manageable debt burdens at 0.6% direct and 4.9% overall. The overall debt burden is significantly higher due to the large number of overlapping school districts and cities that have issued debt for infrastructure and facilities to accommodate the population growth. Moody's anticipates the overall debt ratio will remain high as overlapping entities continue to experience population and tax base growth. Debt is scheduled for above average payout with 64.6% of principal retired in ten years. The County received voter approval in November of 2007 and after the current issue, $299.3 million will remain in authorized but unissued debt to be issued over the next three years. Moody's believes the County's debt position will remain manageable given ongoing tax base growth and favorable debt repayment.

KEY STATISTICS:

Estimated Population: 740,000

2008 Full Value: $68.6 billion

Full Value per Capita: $92,751

1999 Per Capita Income: $33,345 (170% of the State)

1999 Median Family Income: $81,856 (178.5% of the State)

Direct Debt Ratio: 0.6%

Overall Debt Ratio: 4.9%

Payout of Principal (10 years): 64.6%

FY 2007 Unreserved General Fund balance: $119 million (74.6% of General Fund revenues)

Unlimited Tax Debt Post-sale Parity Debt Outstanding: $237.105 million

Limited Tax Debt Post-sale Parity Debt Outstanding: $152.98 million

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RESEARCH

Collin County, Texas; General Obligation

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Credit Profile

US$45.5 mil unltd tax road bnds ser 2008 dtd 06/01/2008 due 02/15/2028		
Long Term Rating	AAA/Stable	New
US$12.315 mil ltd tax rfdg and perm imp bnds ser 2008 dtd 06/01/2008 due 02/15/2028		
Long Term Rating	AAA/Stable	New
Collin Cnty		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' standard long-term rating to Collin County, Texas' series 2008 unlimited-tax road bonds and series 2008 limited-tax refunding and permanent improvement bonds, while affirming its 'AAA' standard long-term rating and underlying rating (SPUR) on the county's existing debt.

The ratings reflect the county's:

- Substantial participation in the north-central Texas economy;
- Continued strong property tax base growth and diversification;
- Above-average wealth and income indicators;
- Sound financial management with high reserves; and
- Very low direct debt burden, though overall debt remains high.

Officials will use bond proceeds to fund the construction of roads and highways; refund a portion of the county's bonds outstanding; and finance the acquisition of, and improvement to, parkland and open spaces.

Collin County has continued to experience rapid growth due to the Dallas-Fort Worth metropolitan statistical area's (MSA's) expansion northward to Plano, Texas ('AAA' GO debt rating); Frisco, Texas ('AA-' GO debt rating); Allen, Texas ('AA+' GO debt rating); and McKinney, Texas ('AA+' GO debt rating). A significant corporate presence and independent employment base have developed, including the headquarters of several large corporations.

The unemployment rate, which had been significantly lower than state and national rates, had climbed to about 6% after numerous area layoffs but has since moderated to near 4%. Median household effective buying income remains high at about 35% above the Dallas-Fort Worth MSA's average and 60% above the nation's average. Since the 1990 U.S. Census, the county's population has increased to an estimated 740,000 from 264,000. Taxable assessed valuation (AV) has also increased significantly; AV has grown by a cumulative 40% over the past five years to $68.6 billion in fiscal 2008. The pace of residential construction has slowed, but AV continues to grow with market value now at roughly $93,000 per capita.

Standard & Poor's deems Collin County's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating practices exist in most areas, though not all might be formalized or regularly monitored by governance officials.

Outlook

The stable outlook reflects our expectation that economic conditions throughout the county will remain positive, allowing growth and diversification to continue. We expect assessed valuation growth to continue, allowing county management to maintain its strong financial position while prudently administering its capital needs. Given the stable revenue stream, high wealth levels, and affordable direct debt burden, downward rating pressure is minimal.

Finances: AV Growth, Budget Practices Generate Surpluses

Collin County's financial position remains strong. The county ended fiscal 2007 with a $111.7 million unreserved general fund balance, or nearly 80% of annual general fund operating expenditures. Surpluses realized over the past few years are due to continued AV growth and conservative budgeting practices. As a result, the county has consistently exceeded its fund balance goal of maintaining at least three months' operating expenses; management may begin drawing down the fund balance over the next few years, but reserve levels are likely to remain very strong. County officials, who reduced the tax rate in fiscal 2008 for the first time since fiscal 1999, are committed to maintaining the rate at 24.5 cents per $100 of AV. Property taxes remain the county's primary revenue stream, accounting for roughly 80% of general fund revenues.

In addition to its general fund strength, Collin County maintains a road and bridge fund that has historically held significant cash levels; management draws roughly $10 million of annual expenditures from this fund and uses the money to finance the maintenance of existing county roads. The county also maintains a health care foundation trust fund, which accounts for Collin County Health Care Foundation's health care expenditures. The health fund's interest--plus grants, fees, and rental revenues--has been sufficient to pay the county's medical costs.

Financial Management Assessment: 'Good'

Standard & Poor's deems Collin County's financial management practices "good" under its FMA methodology, indicating practices exist in most areas, though not all might be formalized or regularly monitored by governance officials.

County officials undergo an extensive budgeting procedure as the county continues to move closer to a complete performance-based approach. Management analyzes key economic and revenue growth drivers annually during the process. In addition to the annual budget, management develops long-term financial projections for planning purposes for the following five years. A capital improvement program is also in place that outlines the county's next five years of infrastructure needs.

Officials make financial reports to the county commissioners monthly, and the commissioners can amend the budget at any time. Management also has a formal investment policy that it approves annually with results reviewed monthly. In terms of reserves, management has set a target of maintaining three months' operations. While no formally adopted debt management policies exist, county officials work closely with their financial advisor to determine a strategy that limits the need for tax increases and maximizes savings.

Overall Debt Is High, Amortization Is Quicker Than Average

Collin County's overall net debt level remain moderately high at 7.0% of market value, but direct debt remains low at just 0.6% of market value. The county's 46 taxing entities, primarily the four major school districts, issue the majority of overlapping debt. In 2003, county residents authorized $229 million of bonds for parks, roads, and courthouse improvements. In 2007, voters approved a larger $328.9 million program. This issuance will exhaust the 2003 authorization and leave $299.38 million of the 2007 authorization available.

Officials have structured the current debt service schedule to allow the addition of further debt without having an adverse effect on the local property tax rate. Budgeted at roughly $39 million in fiscal 2008, management estimates debt service expenditures will increase to $60.7 million by 2015 after the full authorization has been issued. With modest AV growth, there should be no impact on the overall tax rate. Debt service remains high at about 25% of combined general and debt service fund expenditures, and it will likely remain at an elevated level as the county issues additional bonds. Amortization, however, is slightly quicker than average with 57% of debt being retired over the next 10 years.

Ratings Detail (As Of 02-Jun-2008)

Collin Cnty unltd tax rd bnds ser 1999A dtd 09/01/1999 due 02/15/2000-2019

Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.