

New Issue: Columbia (County of) GA

MOODY'S ASSIGNS Aa2 RATING TO COLUMBIA COUNTY'S (GA) \$38 MILLION G.O. SALES TAX BONDS, SERIES 2009

Aa2 RATING APPLIES TO \$110.7 MILLION IN PARITY BONDS, INCLUDING CURRENT ISSUE

County
 GA

Moody's Rating

ISSUE	RATING
General Obligation Sales Tax Bonds, Series 2009	Aa2
Sale Amount \$38,000,000	
Expected Sale Date 02/17/09	
Rating Description General Obligation Unlimited Tax	

Opinion

NEW YORK, Feb 4, 2009 -- Moody's Investors Service has assigned a Aa2 rating to Columbia County's (GA) \$38.0 million General Obligation Sales Tax Bonds, Series 2009. Concurrently, Moody's has affirmed the Aa2 rating on \$72.7 million in outstanding parity debt. The Series 2009 bonds are ultimately secured by the county's unlimited ad valorem tax pledge but are payable first from the proceeds of a one-percent special purpose local option sales tax (SPLOST). The Aa2 rating is based on the county's strong financial position, supported by healthy fund balance levels, comprehensive fiscal policies, and a low direct debt burden, and additionally considers the county's sizeable tax base and the marked increase in resident wealth levels concurrent with recent population growth. Bond proceeds will finance the expansion of the county's justice center, detention center, and general government complex.

FISCAL POLICIES SUPPORT CONSISTENTLY HEALTHY FINANCIAL PERFORMANCE

Moody's believes that the county's record of conservative financial management, ample fund balance levels, and an adherence to comprehensive fiscal policies will uphold the county's currently-strong financial position. By policy, the county is required to maintain a General Fund operating reserve within designated fund balance, equal to a minimum 75 days (20%) and a targeted 100 days (27%) of annual budget. Further, county policy requires a minimum \$500,000 fund balance designation for extraordinary items and directs the use of undesignated fund balance to non-recurring or capital items, and only after all other reserves have been allocated. The county has recorded General Fund operating surpluses during eight of the past nine fiscal years and the use of fund balance in fiscal 2005 was restricted to one-time contributions for the county's fire services function. Annual operating surpluses are largely attributed to conservative revenue assumptions and broad expenditure savings, both of which enabled the county to realize a \$1.4 million operating surplus in fiscal 2008 despite appropriating \$2.9 million from General Fund balance for taxpayer relief. General Fund balance increased to \$26.9 million at the close of fiscal 2008, equal to a strong 49.5% of fund revenues. In accordance with the county's policy requirements, ending General Fund balance included a \$15.2 million operating reserve (28% of revenues) and \$1.0 million designated for extraordinary items; when combined with \$10.5 million in undesignated funds, available fund balance represented an ample 49% of revenues.

The adopted fiscal 2009 budget includes an operating tax rate reduction of 0.21 mills and appropriates \$274,000 from fund balance to remedy a deficit in the Community Centers Fund. Budget assumptions include 4% growth in the local option sales tax (28% of total revenues), well below historical 10% average annual growth and reflective of the economic downturn. Management reports that the county has implemented a mid-year savings mandate for all General Fund departments in response to the Governor's directive to freeze state fund for the homestead tax relief grant (\$1.4 million local impact) and officials believe that the resulting budgetary savings will sufficiently offset the revenue withholding. Moody's believes that the General Fund's healthy fund balance levels and consistent record of sound operating performance adequately position the county to respond to any near-term challenges, including state and local revenue pressures related to the national recession.

RAPIDLY GROWING AND WEALTHY COMMUTER BASE FOR AUGUSTA

Located along the banks of the Savannah River in eastern Georgia (G.O. rated Aaa/stable), Columbia County has developed rapidly over the past decade as a wealthy bedroom community to the City-County of Augusta (G.O. rated A1). The assessed valuation of the county's tax base has more than doubled since fiscal 2000, driven largely by new residential development, and full market value reached \$11.0 billion as of fiscal 2009. The county's industrial base is small (5%) relative to residential and commercial property types, which comprise a combined 90% of real property in the county; however, officials report that land availability, infrastructure improvements, and public-private partnerships have supported the ongoing expansion of the industrial base. Officials report that while new residential construction has slowed in response to the real estate market downturn, commercial development continues unabated as the service sector expands to meet the demands of a population that has increased 22% since 2000. Wealth levels also have increased significantly during recent years, spurred by growth of the high-wealth empty-nester and retiree population segment. Per capita personal income (PCPI - U.S. Bureau of Economic Analysis) increased 39% from 2000 to 2006, markedly outpacing the 16% statewide growth rate for the same period and equaling 108% of the state's PCPI in 2006. Officials estimate that approximately 67% of county residents commute to neighboring jurisdictions for employment; however, the county's employment base has expanded in step with population growth, including 10,788 net new jobs (33% growth) gained from 2001 to 2006. County employment levels remain below statewide norms, with the November 2008 jobless rate of 5.6% below the state's 7.2% rate for the same period.

Although Moody's believes that the county's recently-strong rate of tax base growth will moderate as a result of the real estate market downturn, the county is well positioned to experience additional expansion given its strategic position proximate to the large, institutionally-anchored employment center of Augusta. The metropolitan area is home to sizeable education, health services, and government sectors, including the Medical College of Georgia, the state's premier health sciences university, and Fort Gordon, the principal information technology and electronic communications training center of the U.S. Army. Four of Augusta's six general acute care hospitals have expanded during recent years and county officials report that two hospitals have secured real estate in Columbia County to support additional expansion in the medium term. Fort Gordon, which is contiguous to the county, is expected to add more than 1,500 new jobs to its existing 21,100 job base with the 2010 opening of the National Security Agency's signals intelligence and training operations center. The \$286 million project includes the construction of a 500,000 square-foot facility and officials report an average annual salary of \$80,000 for the new operation. The U.S. Army is pursuing housing construction and redevelopment in and around the base to accommodate growth, which officials expect will include adjacent portions of the county.

SPLOST FUNDING ALLOWS FOR LOW DIRECT DEBT BURDEN

The county's direct debt burden will increase to a still-low 1% with the current offering and the total debt burden of 1.3% includes the overlapping obligations of the countywide school district and various municipalities. Moody's expects that the county's debt burden will remain modest due to the use of a voter-approved 1% Special Purpose Local Option Sales Taxes (SPLOST) to fund a majority of future capital needs. The current SPLOST program, implemented January 1, 2006, is authorized to generate up to \$100.0 million in dedicated sales tax revenues through December 2010 for capital projects and debt service requirements on the county's existing Series 2004 bonds. In November 2008, voters authorized the county to renew its SPLOST program as of January 1, 2011, which is expected to deliver up to \$180.0 million in dedicated sales tax revenues to the county and municipalities through December 2016. Concurrent with approving the SPLOST program, voters also authorized the county to issue up to \$38.0 million in G.O. sales tax bonds, all of which is being issued at this time. Importantly, no proceeds in any year may be used for pay-go capital funding until debt service requirements for that year first have been satisfied from SPLOST revenues. Amortization of G.O. debt is above average, with 91% retired within 10 years, and all G.O. debt will be retired within 15 years. Approximately 2% of the county's total debt load is in a variable rate mode, which Moody's considers manageable, and the county is not party to any derivative agreements. No future borrowing is planned at this time.

KEY STATISTICS

2007 population: 109,100

Fiscal 2009 full valuation: \$11.0 billion

Fiscal 2009 full value per capita: \$100,912

Unemployment rate (November 2008): 5.6%

1999 Median Family Income: \$61,232 (124% of state; 122% of nation)

1999 Per Capita Income: \$23,496 (111% of state; 109% of nation)

Overall debt burden: 1.3%

Payout of principal (10 years): 91%

Fiscal 2008 General Fund balance: \$26.9 million (49.5% of revenues)

Post-sale parity debt outstanding: \$110.7 million

RATING METHODOLOGIES USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating the current issue was "Local Government General Obligation and Related Ratings," which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Rating Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer also can be found in the Credit Policy & Methodologies directory.

The last rating action was on January 29, 2007 when Moody's upgraded the county's general obligation rating to Aa2 from Aa3.

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