STANDARD & POOR'S

RATINGSDIRECT®

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Columbia County, Georgia; General Obligation

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Credit Profile		
US$38. mil GO sales tax bnds ser 2009 dtd 03/04/2009 due 04/01/2017		
Long Term Rating	AA+/Stable	New
Colu Cnty GO		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Columbia County, Ga.'s general obligation (GO) debt one notch to 'AA+' from 'AA' based on the county's consistent economic development through various economic cycles, which has led to strong overall growth. The outlook is stable.

Standard & Poor's also factored the county's ability to manage this rapid growth effectively while maintaining a solid financial position with very strong reserves into the upgrade.

At the same time, Standard & Poor's assigned its 'AA+' standard long-term rating, and stable outlook, to the county's series 2009 GO sales tax bonds.

In our opinion, other rating characteristics include the county's:

- Continued growth in a primarily residential area that participates in the vibrant and diversifying Augusta-Aiken metropolitan statistical area (MSA) regional economy;
- Ongoing healthy property tax base growth, coupled with no taxpayer concentration;
- Strong financial position and consistently high reserves; and
- Low debt burden, coupled with a manageable capital improvement plan as growth pressures and infrastructure needs remain.

The county's full faith and GO credit pledge secures the bonds. Principal and interest on the bonds are first payable from the proceeds of a 1% sales and use tax received by the county. If these revenues are insufficient, the bonds are payable from an unlimited ad valorem tax on all taxable property within the county. Officials will use bond proceeds from this issue to finance various capital projects within the county, including an expansion of the Justice Center and Detention Center.

Located in east-central Georgia, Columbia County's access to metropolitan Augusta, Ga., coupled with Augusta's outward development trends, has contributed to the county's rapid population growth and increasing property tax base. Population has grown by nearly 70% to 111,436 since 1990 with another 16% of growth forecast by 2015 to 126,000. While Fort Gordon and the department of energy's Savannah River Plant in Aiken, S.C. anchor area employment -- both aid in insulating the area during recessionary periods -- the local economy continues to expand and diversify. In addition, the county has experienced a strengthening of the medical service sector as it becomes a retiree destination.

The county's expanding employment base has been a draw for relocation and the accompanying residential development. County unemployment has historically been below state and national rates. Retail and commercial sector growth, which had been slow recently, has begun to pick up. Now that the population has reached 100,000-plus, the county believes a healthy amount of retail development will follow the existing residential component.

Through continued new construction, recently on the commercial and retail side, and healthy appreciation, the county's property tax base continues to experience, in our opinion, robust growth. Over fiscals 2004-2008, the county's gross tax digest grew by an average annual growth of 11.1% to $4.4 billion in fiscal 2008. Moreover, the county tax base is diverse with the 10 leading taxpayers accounting for just 5% of total property taxes levied. Wealth and income levels, in our opinion, are a strong 130% of the state's level and 127% of the nation's level.

In our opinion, Columbia County's financial position remains strong and supported by high general fund reserves. The county has historically produced general fund operating surpluses ranging from $1.2 million-$5.2 million from fiscals 2002-2008. Unreserved general fund balances averaged, in our opinion, a very strong 42% of expenses for fiscals 1999-2008. The county closed fiscal 2008 with a modest $1.36 million surplus due to an increase in property and sales tax revenues. Fiscal 2009 is tracking on par with budgeted numbers. Sales tax revenues are tracking slightly behind budgeted estimates. We, however, believe this is not a concern for the county given its current strong reserves.

Standard & Poor's has changed Columbia County's financial management assessment (FMA) to "good" from "standard" reflecting the further strengthening of the county's policies. An FMA of good indicates financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

In our opinion, the county's overall debt burden is low with all debt outstanding accounting for $1,369 per capita, or 1.4% of market value. We view amortization as rapid with officials retiring 84% of principal over 10 years and the remainder over 20 years.

Outlook

The stable outlook reflects the county's overall ongoing growth and diversification. While growth pressures and infrastructure needs remain given the ongoing rapid population growth, it is our opinion the county will continue to manage these pressures well. Continued positive property tax base growth and the maintenance of a strong financial position with large reserves provide rating stability.

Financial Management Assessment: 'Good'

Standard & Poor's has changed Columbia County's FMA to "good" from "standard" reflecting the further strengthening of the county's policies. An FMA of good indicates financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

The policies the county has implemented are conservative in nature and well adhered to by management. For budget preparation, the county uses zero-based budgeting. The county does not typically make amendments once the budget is adopted, unless for major items such as grants. The county maintains a contingency reserve so it does not have to make amendments. Once made, however, these amendments are formal in nature and performed with board approval. The county administration monitors budgeted figures compared to actual results and makes monthly reports to the board on the results.

Furthermore, as a proactive measure in managing the county's rapid growth, the county uses multiyear forecasting for revenues and expenditures looking out two years. While the county does not currently have a formal five-year capital improvement plan, it does engage professional engineers to put together a capital improvement plan in connection with its special-purpose local-option sales tax financings. The county finances its capital needs with bond issuances and special-purpose local-option sales tax money for dedicated purposes. The county's investment policy closely mirrors the state's with investment updates made to the county board on semiannually. The county does not currently have a debt issuance policy. Management has implemented a county reserve policy that requires sufficient reserves to cover 75-100 days' budgeted expenditures.