Moody's Investors Service

New Issue: MOODY'S ASSIGNS Aa2 RATING TO JACKSON COUNTY'S (GA) $21.4 MILLION GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011

Global Credit Research - 28 Feb 2011

MOODY'S AFFIRMS Aa2 RATING ON $145 MILLION IN PRE-REFUNDING OUTSTANDING PARITY DEBT

County
GA

Moody's Rating

ISSUE	RATING
General Obligation Refunding Bonds, Series 2011	Aa2

Sale Amount	$21,365,000
Expected Sale Date	03/03/11
Rating Description	General Obligation

Opinion

NEW YORK, Feb 28, 2011 -- Moody's Investors Service has assigned a Aa2 rating to Jackson County's (GA) $21.4 million General Obligation Refunding Bonds, Series 2011. Concurrently, Moody's has affirmed the Aa2 rating on $145 million in outstanding parity debt and the Aa3 rating on the county's outstanding Certificates of Participation.

RATINGS RATIONALE

Although the bonds are expected to be paid from Special Purpose Local Option Sales Tax (SPLOST) revenues, the bonds are ultimately secured by the county's unlimited ad valorem tax pledge. The Aa2 rating reflects the county's solid fund balance levels, a sizeable tax base and above average debt levels. Bond proceeds will refund a portion of the county's Series 2007A bonds, with no extension of maturity.

STRENGTHS

-Satisfactory reserves levels bolstered by formal policies and conservative budgeting practices

-Diverse, sizable tax base that benefits from its proximity to the Atlanta MSA and Athens-Clarke County

-Use of SPLOST proceeds for debt service

CHALLENGES

-Above average debt burden

DETAILED CREDIT DISCUSSION

RAPID POPULATION GROWTH SPURRED BY PROXIMITY TO ATLANTA MSA; TAX BASE EXPANSION EXPECTED TO SLOW WITH MARKET DOWNTURN

Located approximately 50 miles northeast of the City of Atlanta (G.O. rated Aa2/negative), Jackson County has experienced significant population growth since 1980. Moody's expects the county to continue to experience steady tax base growth, albeit at more modest levels, given its proximity to major employment centers of Atlanta and Athens-Clarke County (G.O. rated Aa1). The county's population has increased 52.8% since 2000 to 63,544 in 2009. Concurrently, the full market value of the county's tax base has more than doubled since 2000 to $7 billion in 2009, representing strong five-year average growth of 11.3% annually. However, 2010 full market values declined by 4.6% to a still-sizable $6.7 billion, largely due to the economic downturn and the effect of Act 163 (House Bill 233) and Senate Bill 55. Act 163 (House Bill 233), approved by the General Assembly during the 2009 legislative session, establishes a three-year moratorium on growth during which time no increase in assessed value of real property (tax years 2009-2011) is permitted. The law specifically allows assessed values to decline, a factor that is compounded by separate legislation (Senate Bill 55) requiring foreclosures to be counted as fair market sales for property reappraisal beginning with tax year 2009. County officials project a similar decline of approximately 5% in 2011.

Current commercial projects highlight the county's emerging role as an industrial center for the Atlanta MSA, including Toyota Industries (Toyota Motor Corp. - Senior unsecured rated Aa2/negative outlook), Huber Engineered Woods and Kubota Industrial Equipment Corporation, a tractor manufacturer. Countywide unemployment as of December 2010 was 10.3%, above the 10.2% statewide rate, while per capita income remains strong at 84.2% and 82.5% of the state and nation, respectively.

HISTORICALLY SOUND FINANCIAL POSITION GUIDED BY FORMAL FISCAL POLICIES

Moody's believes that Jackson County will maintain its satisfactory financial position, given management's conservative fiscal practices and a track record of structurally balanced operations during recent years. The county reported five consecutive years of operating surpluses, increasing fund balance to $9.8 million (a sound 27.8% of revenues) in fiscal 2009 from $5.8 million (19.3% of revenues) in fiscal 2005. The surpluses were driven by conservative budgeting practices and robust revenue performance of local options sales tax (LOST), intergovernmental revenues, and charges for service. In fiscal 2010, unaudited results report a modest deficit of $121,000 due to declines in investment income and charges for services, which were partially offset by 12 furlough days and a reduction in expenditures across all departments. The county's governing board formalized its financial reserve policy effective fiscal 2006, establishing the 20% floor on unreserved fund balance and further restricting the use of available fund balance to one-time or capital purposes.

The county's fiscal 2011 adopted budget represents a 6.3% decline relative to the prior year's budget, driven by the reduction of 41.5 positions through layoffs and removal of vacant positions. The budget also includes 12 furlough days for employees, a 0.05 mill tax rate increase and an appropriation of $1.7 million of fund equity to offset an expected 5% decline in the county's tax base. Management anticipates using at least $1 million of appropriated reserves at fiscal year-end; however, officials do not expect fund balance to fall below the county's formal target of 20%. Approximately 84.1% of the operating revenues are derived from local taxes, followed by charges for services (10.8%).

ABOVE AVERAGE DEBT BURDEN; NO ADDITIONAL BORROWING PLANS

The county's direct debt burden is an above average but manageable 2.4% of full value, which includes debt issued through several conduit authorities for which the county has covenanted its unconditional, general obligation tax pledge. Including outstanding debt of overlapping municipalities, the county's overall debt burden increases to an above average 4.9% of full valuation. The county's amortization rate is average with 63% of outstanding debt maturing in 10 years. The county does not have any future debt plans at this time. Importantly, the county's voter-approved 1% Special Purpose Local Option Sales Tax (SPLOST) program provides additional support for the county's capital projects. The current six-year program expires on December 31, 2011 and has been renewed for another six year term in which the county is authorized to collect up to $47.5 million in funding for capital projects countywide. All of county's debt is in a fixed-rate mode and there are no derivative agreements outstanding.

WHAT COULD MOVE THE RATING UP:

-Increased fund balance reserves

-Continued tax base growth and diversification

WHAT COULD MOVE THE RATING DOWN:

-Deterioration of reserves driven by structurally imbalanced operations

-Significant declines in tax base

-Increased debt burden

KEY STATISTICS

2009 population: 63,544

Fiscal 2010 full valuation: $6.7 billion

Fiscal 2010 full valuation per capita: $105,749

1999 Per Capita Income: $17,808 (84% of the state, 83% of the U.S.)

1999 Median Family Income: $46,211 (94% of the state, 92% of the U.S.)

December 2010 unemployment rate: 10.3%

Direct Debt burden: 2.4%

Payout of principal (10 years): 63%

FY 2009 General Fund balance: $9.8 million (27.8% of fund revenues)

FY 2009 undesignated General Fund balance: $7.6 million (21.6% of fund revenues)

Unaudited FY 2010 General Fund balance: $9.7 million (27.9% of fund revenues)

Post-issue parity bonds outstanding: $165.3 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: public information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

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