MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to Jackson County, GA's $10.4M Revenue Bonds, Series 2014A

Global Credit Research - 21 Aug 2014

Affirms Aa2 on $130M in outstanding parity debt

JACKSON (COUNTY OF) GA
Counties
GA

Moody's Rating

ISSUE		RATING
Taxable Refunding Revenue Bonds (Jackson County Facilities) Series 2014A		Aa2
Sale Amount	$365,000	
Expected Sale Date	09/04/14	
Rating Description	General Obligation	
Refunding Revenue Bonds (Jackson County Facilities) Series 2014A		Aa2
Sale Amount	$10,000,000	
Expected Sale Date	09/04/14	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, August 21, 2014 --Moody's Investors Service has assigned a Aa2 rating to Jackson County's (GA) $10.4 million Revenue Refunding Bonds (Jackson County Facilities), Series 2014A, issued through the City of Jefferson Public Building Authority. The bonds are ultimately secured by the county's unlimited ad valorem tax pledge. Bond proceeds will partially refund the county's Series 2007A bonds for an expected net present value savings of 7% of refunded principal with no extension of maturity. Concurrently, Moody's has affirmed the Aa2 rating on the county's outstanding parity debt.

SUMMARY RATING RATIONALE

The Aa2 rating reflects the county's sound fund balance levels, a sizeable tax base and above average debt levels.

STRENGTHS

-Satisfactory reserves levels

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

-Use of SPLOST proceeds for debt service and capital projects

CHALLENGES

-Above average debt burden

- Restore reserves to formal policy levels

DETAILED CREDIT DISCUSSION

RAPID POPULATION GROWTH SPURRED BY PROXIMITY TO ATLANTA MSA; MODEST TAX BASE EXPANSION EXPECTED IN THE MEDIUM TERM

The county is expected to experience steady tax base growth, albeit at modest levels, given its proximity to major employment centers of Atlanta (Aa2/stable) and Athens-Clarke County Unified Government, GA (Aa1) and location along Interstate 85. While the county's $6.2 billion tax base has experienced declines in four of the last five fiscal years, averaging a 2.3% decrease annually, the base is expected to increase going forward given pent up demand following significant population growth, the addition of several distribution centers and industrial expansions. The county's population has increased 45% since 2000 to 60,485 in 2010. Officials project assessed values to increase approximately 2% in fiscal 2015.

The county is emerging as an industrial center for the extended Atlanta MSA, including Toyota Industries (Toyota Motor Corp. - Senior unsecured rated Aa3/stable outlook), Huber Engineered Woods and Kubota Industrial Equipment Corporation, a tractor manufacturer. Toyota and Kubota recently completed expansion projects in 2013, creating a total 500 jobs. Bed Bath and Beyond and Carter's Inc. recently opened distribution plants, creating a total of 1,500 jobs, and officials report that two additional speculative distribution centers are under construction. Countywide unemployment as of June 2014 was 7.1%, slightly below the 7.9% statewide rate, while per capita income remains average at 90.2% and 81.4% of the state and nation, respectively. Full value per capita is an above-average $101,828.

FINANCIAL POSITION EXPECTED TO REMAIN SOUND

The county is expected to maintain its satisfactory financial position given currently sound reserve levels and a track record of structurally balanced operations. The county reported four General Fund operating surpluses over the last five years, increasing fund balance to $9.2 million (a sound 26.8% of revenues) in fiscal 2012 from $8.9 million (21.1% of revenues) in fiscal 2008. In fiscal 2012, the county replenished a portion of the $2.2 million fund balance appropriation through conservative budgeting for revenues. Unaudited results for fiscal 2013 report a $1.8 million deficit, which includes a $2.1 million write off of a receivable from the airport fund, which officials did not expect to collect. Operations were structurally balanced and officials project a year-end fund balance of $7.4 million (21.3% of estimated revenues). The county's governing board formalized its financial reserve policy effective fiscal 2006, establishing a 20% target for unreserved fund balance; however, the county has not been in compliance with this target since fiscal 2009.

The county's fiscal 2014 adopted budget represents a 3% increase relative to the prior year due to an increase in debt service payments and several new positions. The budget includes a 0.25 mill tax rate increase and assumes a $1.3 million fund balance appropriation. As of July, officials report that expenditures are 3.5% under budget and project a $1 million surplus by year-end. Going forward, the county's ability to maintain sound reserve levels, in line with stated targets, and restore structural balance will be important credit considerations.

ABOVE AVERAGE DEBT BURDEN; NO ADDITIONAL BORROWING PLANS

The county's direct debt burden is an above average 2.1% of full value, but Moody's views this as manageable given the county has no additional borrowing plans, and 18.5% of debt is paid from a voter-approved 1% Special Purpose Local Option Sales Tax (SPLOST). The direct debt burden includes debt issued through Jackson County Water and Sewer Authority, for which the county has covenanted its unconditional, general obligation tax pledge. The county makes an annual subsidy payment for debt service to the authority. With the inclusion of debt from overlapping municipalities, the county's overall debt burden increases to an above average 4.6% of full valuation. The county's amortization rate is above average with 78.7% of outstanding debt maturing in 10 years. Fiscal 2013 debt service represented a high 18.5% of operating expenditures. Importantly, the county's SPLOST program provides additional support for the county's capital projects and debt service. The current six-year SPLOST program expires on July 31, 2017 and is authorized to collect up to $47.5 million in funding for capital projects countywide. The county has a low amount of variable rate debt outstanding, $1.3 million from Series 2004 revenue notes, representing less than 1% of total debt outstanding. The notes are paid by the county pursuant to a contract with the airport authority bearing interest at a variable rate of LIBOR +.75 basis points. The county maintains ample liquidity to provide debt service in heightened interest rate stress scenarios. The county is not party to derivative agreements.

The county participates in the Association of County Commissioners of Georgia, a multi-employer, defined benefit retirement plan sponsored by the State of Georgia (Aaa/stable). The county's combined annual required contribution (ARC) for the plan was $670,000 in fiscal 2012, or approximately 1.8% of General Fund expenditures.

The district's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $9.4 million, or approximately a low 0.27 times General Fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities. We determined the county's share of liability for the state-run plans in proportion to its contributions to the plans.

WHAT COULD MOVE THE RATING UP:

-Increased fund balance reserves

-Continued tax base growth coupled with improved socioeconomic factors

-Decline in debt burden

WHAT COULD MOVE THE RATING DOWN:

-Deterioration of reserves driven by structurally imbalanced operations

-Continued declines in tax base

-Significantly increased debt burden

KEY STATISTICS

Full Value, Fiscal 2014: $6.2 billion

Full Value Per Capita, Fiscal 2014: $101,828

Median Family Income as % of US Median (2012 American Community Survey): 91.6%

Fund Balance as % of Revenues, Fiscal 2013: 13.97%

5-Year Dollar Change in Fund Balance as % of Revenues: -4.06%

Cash Balance as % of Revenues, Fiscal 2013: 48.67%

5-Year Dollar Change in Cash Balance as % of Revenues: -16.36%

Institutional Framework: "Aaa"

5-Year Average Operating Revenues / Operating Expenditures: 0.99x

Net Direct Debt as % of Full Value: 2.12%

Net Direct Debt / Operating Revenues: 3.81x

3-Year Average ANPL as % of Full Value: 0.15%

3-Year Average ANPL / Operating Revenues: 0.28x

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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