STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

April 30, 2010

Summary:
Rockwall County, Texas; General Obligation

Primary Credit Analyst:
Jim Tchou, New York (1) 212-438-3821; jim_tchou@standardandpoors.com

Secondary Credit Analyst:
Kate Choban, Dallas (1) 214-871-1420; kate_choban@standardandpoors.com

Table Of Contents

Summary:

Rockwall County, Texas; General Obligation

Credit Profile		
US$9.545 mil ltd tax rfdg bnds ser 2010 dtd 05/01/2010 due 08/01/2034		
Long Term Rating	AA/Stable	New
US$2.455 mil unltd tax road bnds ser 2010 dtd 05/01/2010 due 02/01/2034		
Long Term Rating	AA/Stable	New
Rockwall Cnty GO ser 2009		
Long Term Rating	AA/Stable	Affirmed
Rockwall Cnty GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rockwall Cnty GO (CIFG)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating, and stable outlook, to Rockwall County, Texas' series 2010 unlimited-tax general obligation (GO) road bonds and series 2010 limited-tax GO refunding bonds and affirmed its 'AA' long-term rating and underlying rating (SPUR), with a stable outlook, on the county's existing GO debt.

In our opinion, the rating reflects the county's:

- Access to the Dallas-Fort Worth metropolitan statistical area, leading to strong residential and commercial growth;
- Very strong wealth and income levels; and
- Very strong financial position with a trend of increasing reserves.

We believe the county's high overall debt burden, coupled with additional debt-financed capital needs, somewhat offsets these strengths.

The county's full faith and credit pledge secures the unlimited-tax road bonds. The county's ad valorem property tax pledge, subject to the state's 80-cent per $100 of assessed value (AV) tax rate limit, secures the limited-tax refunding bonds. Officials will use bond proceeds to fund the construction of road improvements and refinance the county's series 1998 certificates of obligation outstanding, 2001 improvement bonds outstanding, and 2008 limited-tax notes outstanding.

Rockwall County, with a population estimate of 85,251, is 20 miles east of Dallas County on Lake Ray Hubbard's eastern shores. The county is primarily a residential community that has experienced rapid growth recently with its population increasing by an average of 7% annually for the past five years. Improved transportation access to the Dallas Metroplex and the recreational facilities provided by Lake Ray Hubbard have been contributing factors to strong growth trends. Services and retail trade dominate the local economy. Leading employers include Rockwall Independent School District (1,800 employees), Royse City Independent School District (780), and Lake Pointe Medical Center (700). Retailers include Wal-Mart Stores Inc., Target Corp., Kohl's Corp., The Home Depot Inc., and Lowe's Cos. Inc. The property tax base has increased by 41% over the past five years to $6.9 billion for fiscal 2010. Preliminary estimates from the appraisal district project relatively flat property tax base growth for the next budget year due to the current economic environment; but the county still has a number of residential developments under construction. Market value, an indicator of wealth, is $81,052 per capita, which we view as very strong. We also consider county income levels very strong: Median household effective buying income is 52% above the state's average and 46% above the nation's average.

In our opinion, Rockwall County's financial position remains very strong. Despite a rapidly growing residential population and increasing service needs, the county has continued to build its general fund balance since fiscal 1996. At fiscal year-end 2008, the unreserved general fund balance totaled $19.8 million, or 82.7% of operating expenditures, which included $2.0 million of debt proceeds. Officials attribute the good performance, in part, to fees and sales tax revenues exceeding budgeted projections while keeping expenditures in-line. For unaudited fiscal 2009, the city continued its trend of revenues exceeding expenditures with management estimating a $2.8 million operating surplus at year-end before accounting for transfers and proceeds from debt issuances. Officials believe that maintaining conservative staffing levels contributed to the good performance in fiscal 2009. Management is conservatively projecting no worse than break-even operations for fiscal 2010, reporting that expenditures are trending lower than budgeted and that revenues are on target with budgeted expectations. The local property tax rate has remained steady for the past two fiscal years at 37.5 cents per $100 of AV.

As a result of the county adopting a formalized fund balance policy in March 2010, Standard & Poor's revised its opinion of the county's management practices to "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. Officials monitor the budget monthly, and they have the flexibility to make adjustments as needed. The county has formal written financial management policies for investments, which follow investment guidelines outlined by state statutes, with monthly updates to the governing body. The county's fund balance policy is to maintain four to six months' annual budgeted expenditures, partly based on cash needs. The county lacks policies in some areas, including long-term financial and capital plans and debt management.

Following these issues, the overall net debt burden is $7,945 per capita, or 9.8% of market value, which we view as high. In our opinion, amortization is slightly below average with officials planning to retire 44% of principal over 10 years. The debt service carrying charge should remain an elevated 24% based on estimated fiscal 2009 general fund expenditures. The timing of future debt issues related to road projects is contingent on the availability of the state's share of funding.

Outlook

The stable outlook reflects Standard & Poor's expectation that the county should maintain its strong reserves while weathering the regional economic slowdown and that property tax base expansion should continue, albeit at a slower pace, which should help the county sustain its financial position while implementing a growth-related capital program and managing debt levels.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.