

Tax Supported  
New Issue

# Rockwall County, Texas

## Ratings

<b>New Issues</b>	
Limited Tax Refunding Bonds, Series 2010	AA
Unlimited Tax Road Bonds, Series 2010	AA
<b>Outstanding Debt</b>	
Limited Tax Bonds	AA
Unlimited Tax Bonds	AA

Note: Ratings were revised from 'AA-' on May 4, 2010.

## Rating Outlook

Stable

## Analysts

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## New Issue Details

**Sale Information:** \$9,500,000 Limited Tax Refunding Bonds, Series 2010, and \$2,500,000 Unlimited Tax Road Bonds, Series 2010, during the week of May 10 via negotiation.

**Security:** Limited tax refunding bonds secured by a property tax levy, limited to \$0.80 per \$100 of assessed valuation. Unlimited tax road bonds not subject to any limit on the property tax levy.

**Purpose:** To refund outstanding debt for interest cost savings and to finance road improvements.

**Final Maturity:** Aug. 1, 2030.

## Related Research

### Applicable Criteria

- [Tax-Supported Rating Criteria, Dec. 21, 2009](#)
- [U.S. Local Government Tax-Supported Rating Criteria, Dec. 21, 2009](#)

### Other Research

- [Rockwall County, Texas, June 8, 2009](#)

## Rating Rationale

- Rockwall County's financial profile is strong, as evidenced by very large reserve levels, high liquidity, and a recently formalized fund balance policy. Additionally, the county's recent audit deficiencies have been rectified, and no new audit findings are expected in the fiscal 2009 audit, which is expected to be completed on time.
- The county's proximity to the Dallas-Fort Worth metroplex and favorable location along Lake Ray Hubbard has fueled its rapid population growth, making it the third fastest growing county in the U.S.
- After growing rapidly due to expanding commercial development along Interstate 30 (I-30), the county's taxable assessed valuation (TAV) growth has softened, although prospects for renewed growth remain positive.
- Rockwall County's direct tax rates remain relatively low, providing a degree of financial flexibility.
- The county's direct debt levels are modest, and voter support for its GO propositions has been mixed; overall debt levels are high and will remain elevated as the county proceeds with large bonded road projects over the next several years. Moreover, overlapping issuers will also face capital pressures from rapid population growth.

## Key Rating Drivers

- Maintenance of strong reserve levels is key to preserving current credit quality.
- Continued attention to developing formal management policies and practices, including a multiyear capital improvement plan, is important in helping the county proactively plan its operating and capital needs, given its very rapid population growth trends; progress in this area may lead to positive rating considerations.

## Credit Summary

Rockwall County is located 25 miles northeast of Dallas, along Lake Ray Hubbard. With approximately 85,000 residents, Rockwall County's population has nearly doubled since 2000. The county includes the towns/cities of Rockwall, Fate, Heath, McLendon-Chisholm, Royse City, and the eastern portion of Rowlett. Recreational facilities and accessibility to the Dallas metropolitan area have resulted in growth in the tourist trade and residential development in the county. TAV growth has been strong, with a five-year average rate of 9.0%, although growth moderated to a modest 2.6% in fiscal 2010 due to slight declines in reappraisal values.

The economy has continued to experience substantial commercial and residential growth, as evidenced by various retail commercial construction projects along I-30 and ongoing residential real estate growth. Of note is the Harbor development located near I-30 and Lake Ray Hubbard. The development is a mixed-use lake front entertainment area, with a variety of retail, hotel, movie theatre, and restaurant venues. The county's tax base consists of 64% residential and approximately 17% commercial property categories.

**Rating History**

Rating	Action	Outlook/ Watch	Date
AA	Revised	Stable	5/4/10
AA-	Assigned	Stable	6/4/09

County wealth levels are above those of the state and nation, with median household income at 155% of the state's. The county's unemployment rate rose to 7.7% in February 2010 but remains well below the state and national averages.

**Finances**

Fitch Ratings considers the county's financial profile as very strong. Financial performance has been consistently positive, with general fund surpluses and increasing reserves in recent fiscal years. The general fund reported net income of \$1.7 million in fiscal 2008, increasing the unreserved fund balance to a very large \$19.8 million, or 82% of spending. Unaudited fiscal 2009 results show another operating surplus and an increase in reserves. The county recently approved a formal fund balance policy that requires the county to maintain at least four months' operating expenses in reserves. Other positive developments include a recently adopted tax abatement policy and a debt management policy, which is being developed; however, the county still lacks longer term planning tools, such as a formal capital improvement plan or strategic plan.

**General Fund Financial Summary**

(\$000, Fiscal Years Ended Sept. 30)

	2005	2006	2007	2008
Revenues	16,925	20,499	21,301	23,742
Expenditures	14,470	17,529	19,230	23,969
<b>Net Change</b>	<b>2,455</b>	<b>2,970</b>	<b>2,071</b>	<b>(227)</b>
Transfers In	32	0	0	42
Other Sources	516	951	2,400	2,008
Transfers Out	0	(1,172)	(353)	(151)
<b>Net Income</b>	<b>3,002</b>	<b>2,749</b>	<b>4,118</b>	<b>1,672</b>
Total Fund Balance	10,910	13,837	18,514	19,827
As % of Expenditures and Transfers Out	75.4	74.0	94.5	82.2
Unreserved Fund Balance	10,463	13,296	18,514	19,827
As % of Expenditures and Transfers Out	72.3	71.1	94.5	82.2
Undesignated, Unreserved Fund Balance	10,463	13,296	17,413	19,827
As % of Expenditures and Transfers Out	72.3	71.1	88.9	82.2

Note: Numbers may not add due to rounding.

**Debt**

The county's direct debt levels are low at \$741 per capita and 0.8% of fiscal 2010 market value; however, overall debt levels are high at \$7,769 per capita and 8.7% of fiscal 2010 market value. Debt levels are expected to remain elevated as the county issues bonds authorized in 2004 and 2008 for \$17.5 million and \$100 million, respectively, in road bonds for improvements to four major arteries that move traffic through the county (including highways 66, 549, 276, and 740). The current offering, authorized in 2004, and last year's issuance from the 2008 authorization

**Debt Statistics**

(\$000)

These Issues	12,000
Outstanding Debt	61,325
Less: Refunded Bonds	10,195
<b>Direct Debt</b>	<b>63,130</b>
Overlapping Debt	599,158
<b>Total Overall Debt</b>	<b>662,288</b>

**Debt Ratios**

Direct Debt per Capita (\$) <sup>a</sup>	741
As % of Market Value <sup>b</sup>	0.8
Overall Debt per Capita (\$) <sup>a</sup>	7,769
As % of Market Value <sup>b</sup>	8.7

<sup>a</sup>Population: 85,251 (2010 estimate).

<sup>b</sup>Market value: \$7,575,779,000 (fiscal 2010). Note: Numbers may not add due to rounding.

will fund the planning costs of these road projects. The remainder of the road bonds are expected to be sold over the next several years as Texas Department of Transportation funding becomes available. Fitch views favorably the county's highly funded pension system, enabled by periodic lump-sum payments by the county.

**Property Value Trends**

(\$000, Fiscal Years Ending Sept. 30)

	TAV	% Change
2003	3,597,116	—
2004	3,944,013	9.6
2005	4,478,253	13.5
2006	4,894,044	9.3
2007	5,646,745	15.4
2008	6,261,535	10.9
2009	6,736,418	7.6
2010	6,909,734	2.6

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