MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa2 rating to Jackson County's (GA) $23 million Revenue Refunding Bonds (Jackson County, Georgia Public Purpose Projects), Series 2013

Global Credit Research - 29 May 2013

Affirms Aa2 rating on $153 million in outstanding bonds

JEFFERSON CITY PUBLIC BUILDING AUTHORITY, GA
Counties
GA

Moody's Rating

ISSUE		RATING
Revenue Refunding Bonds (Jackson County, Georgia Public Purpose Projects), Series 2013		Aa2
Sale Amount	$23,090,000	
Expected Sale Date	05/31/13	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, May 29, 2013 --Moody's Investors Service has assigned a Aa2 rating to Jackson County's (GA) $23 million Revenue Refunding Bonds (Jackson County, Georgia Public Purpose Projects), Series 2013, 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 and 2003 Certificates of Participation for an expected net present value savings of 5.6% of refunded principal with no extension of maturity. Concurrently, Moody's has affirmed the Aa2 rating on the county's outstanding parity debt and the Aa3 rating on the county's outstanding Certificates of Participation.

RATINGS RATIONALE

The Aa2 rating reflects the county's solid 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

-Recent reserve levels not in compliance with formal policy

DETAILED CREDIT DISCUSSION

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

Moody's expects the county to continue to experience steady tax base growth, albeit at modest levels, given its proximity to major employment centers of Atlanta (G.O. rated Aa2/stable) and Athens-Clarke County (G.O. rated Aa1). Located approximately 50 miles northeast of the City of Atlanta, Jackson County has experienced significant population growth since 1980. The county's population has increased 45% since 2000 to 60,485 in 2010. Full market value is sizeable at $6.3 billion as of fiscal 2013; the county's base has declined by an average rate of 0.9% annually over the last five years. Assessed values have declined in step with state medians over the last few years due to the national economy and enacted state legislation that prohibited realizing growth on unimproved properties over a three year period. Officials project assessed values to be relatively flat in fiscal 2014 with minimal growth thereafter.

The county, which is located along I-85, is emerging as an industrial center for the extended Atlanta MSA, including Toyota Industries (Toyota Motor Corp. - Senior unsecured rated Aa3/negative outlook), Huber Engineered Woods and Kubota Industrial Equipment Corporation, a tractor manufacturer. Toyota and Kubota have began expansion projects expected to be completed 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. Countywide unemployment as of March 2013 was 7.7%, slightly below the 8.1% statewide rate, while per capita income remains strong at 91% and 83% of the state and nation, respectively. Full value per capita is an above-average $102,498.

HISTORICALLY SOUND FINANCIAL POSITION GUIDED BY FORMAL FISCAL POLICIES

Moody's believes that Jackson County will maintain its satisfactory financial position given the county's currently sound reserve levels and a track record of structurally balanced operations during recent years. The county reported five consecutive years of General Fund operating surpluses, increasing fund balance to $10.7 million (a sound 29.2% of revenues) in fiscal 2011 from $8.4 million (25.5% of revenues) in fiscal 2007. The surpluses were driven by conservative budgeting practices and robust revenue performance of local options sales tax (LOST), intergovernmental revenues, and charges for services. However, in recent years management has resorted to the use of fund balance to balance the budget. In fiscal 2011 the county budgeted the use of $1.7 million in fund balance which was fully replenished with a one-time sale of assets. In fiscal 2012, unaudited results reflect a $1.8 million operating deficit driven by the appropriation of $2.2 million in reserves, which was partially replenished with expenditure savings. 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 2013 adopted budget represents a 3.5% decline relative to the prior year due to a reduction in debt service payments following a refunding. The budget does not include a tax rate increase and assumes a $1.6 million fund balance appropriation. Currently, management anticipates using a portion of the appropriated reserves at fiscal year-end. Moody's will continue to monitor the county's use of reserves, as future draws could result in downward pressure on the rating. Approximately 60.3% of General Fund revenues are derived from local taxes, followed by sales tax (15%). Going forward, Moody's will monitor the county's ability to maintain sound reserve levels, in line with stated targets, and restore structural balance.

The county participates in the Association of County Commissioners of Georgia, a multi-employer, defined benefit retirement plan sponsored by the State of Georgia (G.O. rated Aaa/stable). The county's combined annual required contribution (ARC) for the plans was $633,000 in fiscal 2011, or approximately 2% of General Fund expenditures. The district's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $70 million, or approximately a moderate 0.2 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 district's reported liability information, but to improve comparability with other rated entities. We determined the district's share of liability for the state-run plans in proportion to its contributions to the plans.

ABOVE AVERAGE DEBT BURDEN; NO ADDITIONAL BORROWING PLANS

The county's direct debt burden is an above average 2.5% of full value, but Moody's views this as manageable given the county has no additional borrowing plans. 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 4.4% of full valuation. The county's amortization rate is average with 70.6% of outstanding debt maturing in 10 years. Importantly, the county's voter-approved 1% Special Purpose Local Option Sales Tax (SPLOST) program provides additional support for the county's capital projects and debt service (excluding the current issuance). The current six-year 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 modest variable rate debt outstanding, $1.6 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.

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

-Significantly increased debt burden

KEY STATISTICS

2010 population: 60,485

Fiscal 2013 full valuation: $6.3 billion

Fiscal 2013 full valuation per capita: $102,298

2010 Per Capita Income: $22,350 (91% of the state, 83% of the U.S.)

2010 Median Family Income: $58,843 (102.4% of the state, 94.7% of the U.S.)

Direct Debt burden: 2.5%

Payout of principal (10 years): 70.6%

Audited FY 2011 General Fund balance: $10.7million (29.2% of fund revenues)

Unaudited FY 2012 General Fund balance: $8.9 million (26.2% of fund revenues)

Post-issue parity bonds outstanding: $153 million

RATING METHODOLOGIES

The principal methodology used for rating the general obligation debt was General Obligation Bonds Issued by US Local Governments published in April 2013. The principal methodology used for rating the lease revenue debt was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Analysts

Lauren Von Bargen
Lead Analyst
Public Finance Group
Moody's Investors Service

Robert Weber
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S
INVESTORS SERVICE