

Montgomery County, Tennessee

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Credit Profile

**US\$18.45 mil General Obligation Industrial Park Bonds, (Taxable), Series 2008, dated 8/28/2008
due 5/01/2024**

Long Term Rating	AA+ / Stable	New
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US\$5.4 mil General Obligation Bonds, Series 2010, due 4/01/2030

Long Term Rating	AA+ / Stable	New
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Outstanding General Obligation Bonds, Series 2001, 2003, 2004, (FGIC)

Unenhanced Rating	AA+ (SPUR) / Stable	Rating Assigned
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Outstanding General Obligation Bonds, Series 2007, (SYNCORA GTY) (NR)

Unenhanced Rating	AA+ (SPUR) / Stable	Rating Assigned
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Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Montgomery County, Tenn.'s series 2010 general obligation (GO) bonds. At the same time, Standard & Poor's assigned its 'AA+' long-term and underlying ratings (SPURs) to the county's series 2001, 2003, 2004, 2005, 2006, 2007, and 2008 GO bonds. The outlook is stable.

The rating reflects, in our opinion, the county's:

- Economically strong and growing tax base;
- Very strong market value per capita level and a good median household effective buying income at 100% of the national level;
- Strong financial position with healthy reserves; and
- Low overall debt burden.

In our view, the county's high carrying charges partly offset these strengths.

An unlimited ad valorem property tax pledge secures the bonds. Officials plan to use bond proceeds for various improvements to the county's office building and to several county school buildings.

Montgomery County, with a population estimate of 154,756, occupies 543 square miles, and is located in the north-central part of Tennessee approximately 45 miles northwest of Nashville, the state capitol. Clarksville, the only city within the county, is one of the nation's fastest-growing cities. The county has a diverse employment base including: military, state and local governments, health care, higher education, and retail trade. Fort Campbell Military Base, Austin Peay State University, and Gateway Medical Center are anchors for the county's economy. Fort Campbell Military Base is one of the largest military bases in the country and home to more than 30,000 soldiers, 55,000 family members, and 4,300 civilian employees. In addition, the recent joint venture between Dow Corning Corp. and Hemlock Semiconductor indicate that they will locate their next solar-grade polysilicon manufacturing facility in the county, which will add approximately 500 jobs to the region. The initial investment for the Hemlock Semiconductor facility is approximately \$1.2 billion. County unemployment through November 2009 was 8.5%, better than state and national rates. Other leading local employers include:

- Montgomery County Schools (3,700 employees);
- Trane Company (1,600);
- Convergys Corp. (1,400); and
- WalMart Supercenters (1,100).

The county's estimated market value of \$13.7 billion or a very strong \$88,644 per capita. Median household income levels are good at 113% and 100% of the state and nation, respectively. Taxable assessed valuation (AV) is \$3.06 billion in fiscal 2010, a 20% increase from fiscal 2009 reflecting a reappraisal. During the past five years, AV has increased nearly 70% since fiscal 2005. The county's property tax base is very diverse with the 10 leading taxpayers accounting for 7.8% of total AV.

Montgomery County's financial performance has been very strong, with general fund operating surpluses in each of the past four fiscal years. In fiscal 2008, the county ended the year with an \$18.9 million unreserved general fund balance, or in our opinion, a very strong 37% of expenditures, up from \$6.6 million or 16% in fiscal 2005. Due to conservative budgeting, management is projecting to end fiscal 2009 with an additional operating surplus of approximately \$678,000. The county's fiscal 2010 adopted budget is balanced, and reflects no plans to draw down the reserves in the general fund.

Standard & Poor's deems Montgomery County's financial management practices 'good' under its Financial Management Assessment (FMA) methodology, indicating practices exist in most areas, though not all might be formalized or regularly monitored by governance officials. Key practices include management's conservative budgeting practices and informal reserve policy to maintain general fund reserves at four to six months of expenditures. Management provides monthly budget and investment reports to county commissioners. Management's formal long-term capital improvement plan is updated annually and includes the costs and funding sources associated with capital needs within a five-year horizon. The county lacks written or formalized policies in some areas, including long-term financial planning and debt management.

In our opinion, the overall net debt burden is moderate at about \$2,613 per capita and a low 2.9% of the estimated market value. Amortization is fairly rapid, with 69% of principal due to be retired in 10 years, and 100% of principal due to be retired in 20 years. Carrying charges have historically remained high and are currently at 31% of total governmental expenditures. County officials are considering issuing about \$15 million-\$20 million within the next 12 months to construct an elementary school.

Outlook

The stable outlook reflects our expectation that the county’s economic profile and good financial management practices will allow management to sustain its strong financial position through natural economic cycles. The outlook also reflects our opinion that the county will continue to benefit from Fort Campbell Military Base as well as from several planned industrial projects.

Related Research

USPF Criteria: GO Debt, Oct. 12, 2006

<i>Ratings Detail (As Of 19-Jan-2010)</i>		
<i>Outstanding General Obligation Bonds, Series 2010, due 4/01/2030</i>		
Long Term Rating	AA+ / Stable	Rating Assigned
<i>Outstanding General Obligation Bonds, Series 2003, (AGM), NR</i>		
Unenhanced Rating	AA+ (SPUR) / Stable	Rating Assigned
<i>Outstanding General Obligation Bonds, Series 2004, 2005, (MBIA) (NR)</i>		
Unenhanced Rating	AA+ (SPUR) / Stable	Rating Assigned
<i>Outstanding General Obligation Bonds, Series 2006, (AMBAC), (NR)</i>		
Unenhanced Rating	AA+ (SPUR) / Stable	Rating Assigned

Many issues are enhanced by bond insurance.

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