

MOODY'S

INVESTORS SERVICE

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April 15, 2011

Mr. Harley Will
Director of Financial Services
County of Washington
14949 62nd Street North
P.O. Box 6
Stillwater, MN 55082-0006

Dear Mr. Will:

We wish to inform you that on April 13, 2011, Moody's Investors Service reviewed and assigned a rating of Aaa to Washington (County of) MN's General Obligation Bonds, Series 2011A.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Kathryn Gregory at 312-706-9962.

Sincerely,



Henrietta Chang

cc:
Ms. Kathleen Aho
Springsted, Inc.

MOODY'S

INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aaa RATING TO WASHINGTON COUNTY'S (MN) \$41 MILLION GO BONDS, SERIES 2011A

Global Credit Research - 14 Apr 2011

Aaa RATING APPLIES TO \$164 MILLION POST-SALE GOULT DEBT

County
MN

Moody's Rating ISSUE

RATING

General Obligation Bonds, Series 2011A

Aaa

Sale Amount \$41,035,000

Expected Sale Date 04/18/11

Rating Description General Obligation Unlimited Tax

Opinion

NEW YORK, Apr 14, 2011 – Moody's Investors Service has assigned a Aaa rating to Washington County's (MN) \$41 million General Obligation Bonds, Series 2011A. Concurrently, Moody's has affirmed the Aaa rating on the county's outstanding general obligation unlimited tax debt. Post-sale, the Washington County will have \$164 million of general obligation debt outstanding.

SUMMARY RATING RATIONALE

Debt service for the bonds is secured by the county's general obligation unlimited tax pledge. Proceeds of the bonds will finance road improvements throughout the county, technology projects, and projects that are part of the county's Land and Water Legacy Program. The Aaa rating reflects the county's substantial, though declining, taxbase favorably located in the Twin Cities metropolitan area, sound financial operations that are supported by growing reserves, and a debt burden that is expected to remain affordable despite a slow amortization rate.

STRENGTHS:

- Favorably located in the Twin Cities metropolitan area
- History of operating surpluses leading to healthy General Fund reserves

CHALLENGES:

- Recent declines in tax base and anticipated additional decline in 2011
- Potential reductions to state aid

DETAILED CREDIT DISCUSSION

SUBSTANTIAL TAXBASE WITH RECENT DECLINES FAVORABLY LOCATED IN TWIN CITIES METROPOLITAN AREA

Located just east of the twin cities of Minneapolis (general obligation Aaa/stable outlook) and St. Paul (Aa1/positive), the county's \$26 billion tax base grew at a rapid pace through 2007. After a modest increase in 2008, the county's taxable value declined by 3.8% in 2009 and an additional 6.7% in 2010. County officials anticipate an additional, although more modest, decline in 2011. The county's taxbase is relatively diverse with commercial, retail, and industrial presences. The city of Cottage Grove (Aa1) is home to 3M's (Long-Term rating Aa2) chemolite facility and Imation Corporation is located in the City of Oakdale (Aa2). Both companies are among the ten largest taxpayers in the county. The county's largest employer is Anderson with 3,500 employees and Independent School District 833 with 2,300 employees. In addition, residents benefit from access to various employment centers within the greater metro region. We expect the County's substantial tax base to remain stable and grow in the long-term, albeit at more modest increases than in previous years, given its favorable location in the Twin Cities metropolitan area and availability of land for development. Approximately half of the land in the county is currently undeveloped. The county's 2010 population of 238,126 is more than double that of 1980. Wealth indices have increased in recent decades and exceed state and national medians: 2000 per capita and median family income levels were 121% and 131% of the state, respectively.

WELL-MANAGED FINANCIAL OPERATIONS EXPECTED TO CONTINUE SUPPORTED BY GROWING RESERVES

The county's finances will likely remain relatively sound due to growing reserves and well-managed operations. The county consistently closes fiscal years with operating surpluses in the General Fund, resulting in steady increases in reserves. The General Fund balance has grown from \$26.4 million (34.7% of revenue) in fiscal 2002 to \$58.4 million in fiscal 2009. The fiscal 2009 General Fund balance was 57.3% of General

operating revenues, and state aid comprised a minimal 6%. Despite reductions in state aid, we expect the county's operations will remain stable given minimal reliance on state aid, sizeable reserves, and history of conservative budgeting practices.

DEBT BURDEN EXPECTED TO REMAIN AFFORDABLE DESPITE SLOW AMORTIZATION RATE

The county's debt burden is expected to remain affordable given moderate future borrowing plans and sizeable tax base. At 0.7% and 3.5%, respectively, the county's direct debt and overall debt burden are higher than the medians for Minnesota counties. The county's overall debt burden is much higher due to borrowings of underlying entities, including South Washington County ISD 833 with \$297 million in outstanding debt. Amortization of the county's direct obligations, which includes general obligation debt issued by the Washington County Housing and Redevelopment Authority, is slow with just 40.3% of principal retired in ten years. The median principal amortization rate for Minnesota counties is a rapid 75.8%. Future debt plans include \$15 million in general obligation bonds to protect natural resources in the county through its Land and Water Legacy Program. All of the county's debt is in fixed rate mode and the county is not a party to any interest rate swap agreements.

WHAT COULD MOVE THE RATING DOWN:

- Economic stagnation that leads to further weakening of tax base valuation or unemployment levels
- Substantial deterioration in the county's financial reserves below similarly rated entities

KEY STATISTICS

2000 census population: 201,130 (38% increase from 1990)

2010 estimated population: 238,136 (18% increase from 2000)

2010 full value: \$26 billion

2010 full value per capita: \$110,563

2000 per capita income: \$28,148 (121% of state, 130% of US)

2000 median family income: \$74,576 (131% of state; 149% of US)

Washington County unemployment rate (February 2011): 6.7%

Fiscal 2009 General Fund balance: \$56.1 million (57.3% of General Fund revenues)

Fiscal 2009 Undesignated General Fund balance: \$21.1 million (21.6% of General Fund revenues)

Direct debt position: 0.7%

Overall debt burden: 3.5%

Principal amortization (10 years): 40.3%

Post-sale general obligation debt outstanding: \$164.0 million, including the current offering

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, and public information

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