



New Issue: Washington (County of) MN

MOODY'S UPGRADES TO Aa1 FROM Aa2 THE RATING ON WASHINGTON COUNTY'S (MN) OUTSTANDING GENERAL OBLIGATION DEBT

ASSIGNS Aa1 RATING TO THE COUNTY'S \$80.4 MILLION GO CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2007A

County  
MN

Moody's Rating

ISSUE	RATING
General Obligation Capital Improvement Plan Bonds, Series 2007A	Aa1
Sale Amount	\$80,445,000
Expected Sale Date	05/21/07
Rating Description	General Obligation Unlimited Tax

Opinion

NEW YORK, May 18, 2007 -- Moody's Investors Service has assigned a Aa1 rating to Washington County's (MN) \$80.4 million General Obligation Capital Improvement Plan Bonds, Series 2007A. Concurrently, Moody's has upgraded to Aa1 from Aa2 the rating on the county's outstanding general obligation debt. The county has \$159.0 million of outstanding general obligation debt, including the current issue. Secured by the county's general obligation unlimited tax pledge, the Series 2007A bonds will finance various capital projects, including the construction of a courts facility, an addition to the law enforcement center, park land acquisition, and highway improvements. The Aa1 rating assignment and upgrade reflect the county's substantial taxbase favorably located in the Twin Cities metropolitan area; well-managed financial operations that are supported by growing reserves; and debt burden that is expected to remain affordable despite a slow amortization rate.

SUBSTANTIAL TAXBASE FAVORABLY LOCATED IN TWIN CITIES METROPOLITAN AREA

Moody's expects Washington County's substantial taxbase to continue to grow, given its favorable location in the Twin Cities metropolitan area, as well as the availability of land for development. Located just east of the cities of Minneapolis (general obligation rated Aa1/stable outlook) and St. Paul (Aa2/stable outlook), the county's \$31.2 billion taxbase has grown at a rapid pace: full value has increased at an average annual rate of 12% since 2001, compared to a median annual taxbase growth rate of 7% for counties nationwide. Officials report that new development (both residential and commercial) is the primary driver of taxbase growth, particularly in the cities of Cottage Grove (Aa3), Hugo (A1), and Woodbury (Aa1). Significant redevelopment is also occurring in the county seat of Stillwater (Aa3). Mirroring increases in taxbase growth are increases in population. The county's 2005 population of 220,426 is nearly double that of 1980. Washington County is currently the 5th most populous county in Minnesota. Wealth indices have increased in recent decades and exceed state and national medians: 1999 per capita and median family income levels were 121% and 131% of the state, respectively.

WELL-MANAGED FINANCIAL OPERATIONS SUPPORTED BY GROWING RESERVES

Moody's believes that the county's finances will remain healthy, due to well-managed operations and growing reserves. The county consistently closes fiscal years with operating surpluses in the General Fund, which has made possible steady increases in reserves. The General Fund balance has grown from \$26.1 million in fiscal 2003 to \$40.1 million in fiscal 2005. The fiscal 2005 General Fund balance was 48% of General Fund revenues, which is below the median of 61% for Minnesota counties but is ample when measured on a dollar basis. Although audited results are not yet available, officials report that the General Fund balance grew to \$45.7 million in fiscal 2006. A formal policy calls for maintaining an unreserved General Fund balance equal to 20% to 30% of the subsequent year's budgeted operating expenditures. Healthy reserves also exist in the county's Transportation and Physical Development Fund and in the Community Social Services Fund. Like other Minnesota counties, Washington County experienced reductions in state aid that began in 2003. Favorably, the county has since decreased its reliance on state aid, making it less vulnerable to state budgetary pressures that may result in future aid reductions. In fiscal 2005, property taxes comprised 48% of operating revenues, and intergovernmental aid comprised 32%, compared to 44% and 38%, respectively, in fiscal 2003. Minnesota counties benefit from the current absence of property tax levy limits.

## DEBT BURDEN EXPECTED TO REMAIN AFFORDABLE DESPITE SLOW AMORTIZATION RATE

Despite a slow principal payout rate, Moody's expects the county's debt levels to remain affordable, given moderate future borrowing plans and expectations for continued growth for this sizeable taxbase. At 0.5% and 2.5%, respectively, the county's direct debt position and overall debt burden approximate the medians for Minnesota counties. Amortization of the county's direct obligations (including general obligation debt issued by the Washington County Housing and Redevelopment Authority) is slow: just 34% of the principal is retired in ten years, compared to a median value of 71% for Minnesota counties. Future debt plans include issuing \$22.5 million in general obligation bonds in 2009 to fund additional capital improvements.

### KEY STATISTICS

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

2005 estimated population: 220,426 (a 10% increase from 2000)

2006 full value: \$31.2 billion

2006 full value per capita: \$141,659

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

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

Washington County unemployment rate (February 2007): 4.2%

Fiscal 2005 General Fund balance: \$40.1 million (48% of General Fund revenues)

Direct debt position: 0.5%

Overall debt burden: 2.5%

Principal amortization (10 years): 34%

Post-sale parity debt outstanding: \$159.0 million, including the current offering

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