



Moody's Investors Service

**New Issue: MOODY'S ASSIGNS A1 RATING TO POWHATAN COUNTY'S (VA)
\$23.3 MILLION G.O. SCHOOL REFUNDING BONDS, SERIES 2010**

Global Credit Research - 01 Feb 2010

A1 RATING AFFECTS APPROXIMATELY \$23 MILLION PRE-REFUNDING G.O. DEBT

County
VA

Moody's Rating

ISSUE	RATING
General Obligation School Refunding Bonds, Series 2010	A1
Sale Amount \$23,300,000	
Expected Sale Date 02/01/10	
Rating Description General Obligation Unlimited Tax	

Opinion

NEW YORK, Feb 1, 2010 -- Moody's Investors Service has assigned an A1 rating to Powhatan County's (VA) \$23.3 million General Obligation School Refunding Bonds, Series 2010. Concurrently Moody's has affirmed the county's A1 general obligation rating affecting approximately \$23 million of pre-refunding debt and the A2 rating on approximately \$24 million of lease debt originally issued for an elementary school and other county projects. Assignment of the A1 rating to the current issue incorporates the county's moderately-sized and relatively affluent tax base, strong financial position supported by adopted policies and manageable debt burden. The current issue, secured by the county's unlimited ad valorem tax pledge refunds the county's Series 2001 bonds which were issued to construct a new high school. The refunding is expected to yield net present value savings of at least 3% of refunded principal without extension of the original maturity structure.

MODEST VALUE REDUCTIONS IN SEMI-RURAL TAX BASE

Located 25 miles southwest of the city of Richmond (G.O. rated Aa3/stable outlook), Powhatan's moderately-sized \$4 billion tax base experienced

strong growth in the first three-quarters of the last decade, with full value growth averaging 19.6% annually from 2003 to 2008 spurred by the 2004 completion of the Route 288 extension along the eastern portion of the county providing direct access to Richmond. Effects of the softening housing market began to appear in 2008, reflected in the modest 0.6% increase in assessed value as of January 1, 2009. Values based on the January 1, 2010 assessment are expected to decline a moderate 4%, with the reduction led by falling residential real estate prices. Although much of the county remains rural and is expected to remain so given a minimum five acre zoning for new residential development, management has focused its efforts on developing commercial properties within pre-determined areas primarily along Routes 288 and 60 supported by newly-extended public utilities to these areas. Income levels approximate commonwealth medians, with per capita income at 100% and median family income at 107.3%. Full value per capita is slightly above the commonwealth median and nearly twice the national median at \$144,379. Unemployment rates as of November 2009 approximated the state rate at 6.3% and remained below the U.S. average of 9.4%.

STRONG FINANCIAL POSITION; RESERVE GOAL MET AHEAD OF SCHEDULE

Continued conservative budgeting and a strong working relationship between financial staff and elected officials should continue to support a solid financial position. Fiscal 2009 marked the county's fourth consecutive operating surplus, with expenditure savings and better than anticipated state aid allowing the county to add \$1.6 million to General Fund balance. Consequently, this reserve improved to \$11.8 million or 25.6% of General Fund revenues with the undesignated portion representing the lion's share at \$11.6 million or a solid 25.1% of revenues. The Debt Service Fund held \$418,000 in fund balance raising operating funds' (General Fund, School Operating Fund and Debt Service Fund) combined undesignated reserves to \$12 million or 16.4% of Operating Fund revenues. This exceeds the 15% goal that county management established in 2007 by a full two years before the scheduled target of fiscal 2012.

The total fiscal 2010 expenditure budget included a minimal 1.2% appropriation increase, with the General Fund budget remaining essentially flat. Management balanced the budget through expenditure controls including maintaining personnel vacancies and deferring select departmental purchases. Year-to-date management reports expenditures remain below budget primarily due to \$500,000 of debt service savings derived from a refunding earlier in the fiscal year. This savings along with

continued expenditure controls and cooperation with the school board to reduce its expenditures are expected to be sufficient to absorb the projected \$900,000 shortfall in personal property taxes. Although the county may face future budgetary challenges related to slowed revenue growth and potential reductions from the state, Moody's expects the county's experienced management team will continue to operate within stated policy guidelines and maintain adequate reserves.

MANAGEABLE DEBT PROFILE

Powhatan's 2.0% debt burden should remain manageable despite a below-average payout rate of 50% retired in 10 years given limited future borrowing plans. The county has already built school facilities to serve its increased population; hence the county's five-year capital improvement plan totals just \$21 million as no new schools are anticipated during the medium-term. Existing debt consists solely of fixed rate obligations and the county is not party to any derivative agreements.

KEY STATISTICS

2008 Population: 28,271 (+26.3% since 2000 census)

2009 Full valuation: \$4.1 billion

2009 Full value per capita: \$144,379

1999 Per capita income: \$24,104 (100.5% of VA; 111.7% of U.S.)

1999 Median family income: \$58,142 (107.3% of VA; 116.2% of U.S.)

2009 General Fund balance: \$11.8 million (25.6% of General Fund revenues)

Debt burden: 2.0%

Principal Amortization of G.O. debt (10 years): 50%

Post-refunding debt outstanding: \$83 million

METHODOLOGY AND LAST RATING ACTION TAKEN

The principal methodology used in rating Powhatan County was Moody's "General Obligation Bonds Issued by U.S. Local Governments," published in October, 2009 and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process

of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action was on January 1, 2007 when Powhatan County's A2 Lease Revenue rating was assigned and the county's A1 G.O. rating was affirmed.

Analysts

Erin Daugherty
Analyst
Public Finance Group
Moody's Investors Service

Susan Kendall
Backup Analyst
Public Finance Group
Moody's Investors Service

Geordie Thompson
Senior Credit Officer
Public Finance Group
Moody's Investors Service

Contacts

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



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