MOODY'S INVESTORS SERVICE

CREDIT OPINION
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New Issue

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Williamson (County of), TN

New Issue - Moody's Assigns Aaa to Williamson Cnty, TN's $9.0M GO Refunding Bonds

Summary Rating Rational

Moody's Investors Service has assigned an Aaa rating to Williamson County, TN's $9.0 million General Obligation Refunding Bonds, Series 2017. Moody's maintains the Aaa rating on the county's outstanding rated parity debt.

The Aaa rating reflects the county's sizeable tax base, regionally important economy, strong financial position and manageable debt burden. The outlook remains stable.

Credit Strengths

» Healthy reserve and cash positions

» Regionally significant economy and growing tax base

» Above-average socioeconomic factors

Credit Challenges

» Moderately above-average debt burden

Rating Outlook

The stable outlook reflects the county's strong cash and reserve position, which will remain healthy due to prudent fiscal management. The outlook also incorporates the expectation that the county's tax base will continue to grow as a result of its role as a major regional economic center.

Factors that Could Lead to an Upgrade

» Not Applicable

Factors that Could Lead to a Downgrade

» Sizeable declines in General Fund reserves

» Increased debt burden

» Substantial tax base contraction

Key Indicators

Exhibit 1

Williamson (County of) TN	2011	2012	2013	2014	2015
Economy/Tax Base					
Total Full Value ($000)	$ 27,949,155	$ 29,008,010	$ 29,426,842	$ 31,008,233	$ 32,051,970
Full Value Per Capita	$ 155,618	$ 157,460	$ 155,751	$ 159,901	$ 165,284
Median Family Income (% of US Median)	159.0%	162.1%	161.9%	163.2%	163.2%
Finances					
Operating Revenue ($000)	$ 346,586	$ 370,341	$ 376,897	$ 400,329	$ 419,971
Fund Balance as a % of Revenues	34.0%	33.4%	31.9%	32.6%	27.5%
Cash Balance as a % of Revenues	31.0%	31.7%	29.5%	30.8%	28.3%
Debt/Pensions					
Net Direct Debt ($000)	$ 486,187	$ 465,184	$ 440,805	$ 466,400	$ 522,967
Net Direct Debt / Operating Revenues (x)	1.4x	1.3x	1.2x	1.2x	1.2x
Net Direct Debt / Full Value (%)	1.7%	1.6%	1.5%	1.5%	1.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	0.4x	0.5x	0.6x	0.8x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	0.5%	0.6%	0.8%	1.0%

Source: Moody's Investors Service

Detailed Rating Considerations

Economy and Tax Base: Regionally Important Tax Base Continues to Experience Growth; High Wealth Levels

The county's sizeable $36.6 billion tax base will continue to experience growth going forward due to its regionally important economy and ongoing residential and commercial development. Located just outside Metropolitan Government of Nashville and Davidson County (Aa2 stable), the county is one of Tennessee's (Aaa stable) wealthiest, with the highest income levels among all counties in the state. Growth in assessed values have been solid over the last five years, averaging 4.3% annually (2011-2016). The increases have been driven primarily by new residential and commercial growth, including office space and various retail establishments. Full value has also grown, averaging 5.5% annually over the same five-year period.

In addition to strong residential growth, the county has benefited from commercial development in the form of corporate relocations. The most notable of these was Nissan North America, which relocated its headquarters to the Cool Springs area in the City of Franklin (Aaa Stable). The company currently employs 1,600 and while the county has provided an incentive package that includes tax abatements, the school portion of the property tax has not been abated. Other relocations and expansions over the last several years include Mars Petcare, Tractor Supply Company, Healthways and a regional Verizon Wireless (Cellco Partnership) headquarters. In addition, a $700 million master-planned community was announced in August 2013, which will also contribute to future tax base growth. Most recently, Schneider Electric announced that it will be consolidating its existing Middle Tennessee operations and moving to Williamson County. The vast diversification within the county is evident with only modest taxpayer concentration; the top ten taxpayers represent 8.6% of full valuation.

All of the county's economic activity over the last several years has resulted in steady job growth and below-average unemployment levels. County unemployment as of September 2016 was 3.7%, compared to 5.0% for the state and 4.8% for the nation. Income levels have also grown relative to state and national levels, with per capita income at 172% of the state and 149.4% of the nation. Median family income was 192.6% of state and 163.2% of the nation. Full value per capita also remains significantly above average at $188,808 (national median of $79,764).

Financial Operations and Reserves

The county's financial position continues to remain healthy given conservative budgeting practices, continued growth in major revenues and strong reserve levels. Over the last five years, the county's General Fund balance has increased by 8.0%, or $3.0 million. Most recently, fiscal 2015 ended with a $1.3 million increase in total General Fund balance to $40.2 million, or 52.7% of annual revenues. The positive change in reserves was the result of both continued revenue strengthening (primarily related to property taxes) and expenditure savings. Unassigned General Fund balance finished at $24 million or 31.5% of annual revenues. In addition to General Fund reserves, the county also maintains $26.9 million in debt service funds (General and Rural Debt Service Funds), adding further financial flexibility. Property tax revenues are the county's single largest revenue source, accounting for approximately 48% of fiscal 2015 General Fund revenues.

The fiscal 2016 budget included an $11.5 million fund balance appropriation and $34.7 million in property tax revenues, with no increase in the tax rate. The county projects that once fiscal 2016 figures have been finalized, that the majority of the original $11.5 million appropriation will be replenished. Current estimates for total General Fund balance show a $972,000 decrease to $39.2 million. Unassigned General Fund balance is projected to have finished roughly equal to fiscal 2015 at $24.7 million.

The current year's budget includes $8.3 million in appropriated fund balance and $41.5 million in property tax revenues. Management estimates that the fiscal 2017 budget is conservative and that the majority of the appropriation will be replenished.

The county conducts a county-wide property reappraisal every five years, the most recent of which was completed in 2016. As a result, the county reported a certified tax rate (revenue-neutral tax rate as mandated by law) of $1.87 per $100 of assessed value. This represented a reduction from the previous $2.31 tax rate. Subsequent to the certification, the county commission voted to increase the tax rate for fiscal 2017 to $2.15 per $100 assessed value, an increase of approximately 15%.

LIQUIDITY

The county General Fund's net cash position was a solid $38.3 million (50.2% of annual revenues) in fiscal 2015, up from $37.1 million in the previous year. The county's cash position is sufficient throughout the year to support operations.

Debt and Pensions

The county's debt burden is expected to remain manageable, given an average rate of principal retirement (65.2% repaid within 10 years), self-supporting hospital debt and ongoing tax base expansion. Hospital revenues have historically supported a portion of outstanding general obligation debt, mitigating debt burden somewhat and we believe hospital net revenues will continue to cover these bonds. The direct debt burden is a manageable 1.6% of full value, increasing to 2.5% when overlapping obligations are taken into account. The county is a frequent issuer of debt to finance general infrastructure and school needs in order to keep pace with population and enrollment growth. The county's current Capital Improvement Plan includes another $145 million for schools and $127 million for other county purposes in debt over the next three years. Given the rapid ongoing growth, the expected new money debt figures could increase from current projections. Overall, we anticipate debt ratios to remain close to current levels, given expected tax base growth and an average rate of principal retirement.

DEBT STRUCTURE

All of the county's outstanding debt is fixed rate.

DEBT-RELATED DERIVATIVES

The county is not party to any derivative agreements.

PENSIONS AND OPEB

The employees of Williamson County participate in the Political Subdivision Pension Plan (PSPP), an agent multiple employer defined benefit plan that is administered by the state under the Tennessee Consolidated Retirement System (TCRS). The employees of the Williamson County School Department participate in the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit plan administered by the state under TCRS. In fiscal 2015, annual required contributions (ARC) totaled $4.7 million (1.1% of operating expenditures) for PSPP and $10.9 million (2.6% of operating expenditures) for SETHEEPP. The county's payments to both plans constituted 100% of the ARC in fiscal 2015. The county's adjusted pension liability, under Moody's methodology for adjusting reported pension data, is $399.3 million or a below average 0.95 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities. We determined the county's share of liability for the state-run plans in proportion to its contributions to the plans.

The county and the county school board also provide Other Post-Employment Benefits (OPEB) to employees. The total OPEB ARC was $25.3 million (6.1% of operating expenditures) in fiscal 2015, of which the county contributed $12.7 million (3.0% of operating expenditures). Fixed costs including annual pension, OPEB and debt service expenditures total a moderate 22.7% of fiscal 2015 expenditures.

Management and Governance

The governing body of Williamson County is a 24 member Board of Commissioners that are elected to concurrent four-year terms of office. The County Mayor is the chief financial and administrative officer of the county and is elected to a four-year term of office.

Tennessee counties have an institutional framework score of “Aaa,” or very strong. Counties rely heavily on property taxes, which are moderately predictable. Counties enjoy high revenue raising flexibility as property taxes are not subject to statutory limits. Expenditures are highly predictable and counties have a strong ability to reduce expenditures if necessary. Fixed costs, which include pension liabilities, are typically manageable and often do not make up a large percentage of total expenditures. Williamson County continues to conservatively budget its General Fund revenues as well as maintain tight expenditure controls, allowing for a healthy cash and reserve position.

Legal Security

The General Obligation Refunding Bonds, Series 2017 are payable from unlimited ad valorem taxes levied on all property within the county.

Use of Proceeds

Proceeds from the Series 2017 Bonds will be used to refund portions of the county's outstanding GO Refunding Bonds, Series 2006 for an expected net present value savings of 6.0% of refunded principal with no extension of maturity.

Obligor Profile

Williamson County is located in Middle Tennessee, adjacent to the southern boundary of Metropolitan Nashville-Davidson County. The county's current population is approximately 198,901.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 2

Williamson (County of) TN

Issue	Rating
General Obligation Refunding Bonds, Series 2017	Aaa
Rating Type	Underlying LT
Sale Amount	$9,000,000
Expected Sale Date	12/14/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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