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# Georgia Association of County Commissioners Gordon County; Appropriations; General Obligation

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## Credit Profile

US\$8.175 mil lsg prog certs of part (Gordon Cnty, Georgia Pub Purp Proj) ser 2008 due 10/01/2016

<i>Long Term Rating</i>	A-/Stable	New
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Gordon Cnty ICR

<i>Long Term Rating</i>	A/Stable	Affirmed
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### Georgia Assn of Cnty Comrs, Georgia

Gordon Cnty, Georgia

Georgia Assn of Cnty Comrs lsg prog certs of part (Gordon Cnty, Georgia Pub Purp Proj) ser 2006 (FSA)

<i>Unenhanced Rating</i>	A-(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

## Rationale

The 'A-' standard long-term rating on the Association of County Commissioners of Georgia's (ACCG) leasing program certificates of participation (COPs) series 2008, issued for Gordon County, reflects:

- The general creditworthiness of Gordon County, as lessee;
- The county's covenant to seek appropriation for base-rental payments,
- The use of a dedicated, yet not pledged, revenue stream of special purpose local option sales tax (SPLOST) receipts to pay debt service, and
- Adequate legal provisions.

The 'A' issuer credit rating (ICR) on Gordon County, Ga. has been affirmed. Gordon County's general credit characteristics include the following strengths:

- Sizeable tax base with strong growth;
- Solid financial position with healthy reserves; and
- Low debt burden, with minimal future capital needs.

The county's limited local economy, concentrated in the manufacturing of flooring and other durable goods, mitigates these strengths.

The county will use proceeds from the COPs to finance the final phase of construction on a judicial complex begun in 2006. An installment purchase lease agreement between the ACCG, as lessor, and Gordon County, as lessee, secures the COPs. The COPs have proportionate and undivided interest in certain rental payments (base rentals) to be paid under an annually renewable lease agreement and are on parity with the series 2006 COPs. The base rentals are assigned to the trustee. Additionally securing the COPs are a lien on, and security interest in, the project to the trustee pursuant to a security agreement. Although not pledged, the county expects to meet lease payments through 2012 with a voter-approved 1% SPLOST and pay the remaining payments through general fund reserves as debt

service levels drop off significantly beyond 2012. The county pays utilities, insurance, taxes, and maintenance on the project. The county has a debt reserve fund in place, based on maximum annual debt service.

Gordon County covers 355 square miles in northwestern Georgia, 60 miles northwest of Atlanta and 45 miles south of Chattanooga, Tenn. The county's economic base is centered in carpet/rug and other flooring manufacturing, accounting for seven of the leading 10 employers. Due in part to its proximity to Interstate 75, and in part to its new tax abatement program, the county is beginning to attract commercial business development in a diverse range of manufacturing companies, including an international presence. Local businesses are also expanding: Mohawk Industries, headquartered in the county seat of Calhoun, is adding two \$30 million distribution centers; Gordon Hospital, the county's third-leading employer, just completed a \$25 million expansion. Taxable growth has been strong, with assessed valuation (AV) growing at an average annual rate of 6.0% since 2000, reaching \$1.4 billion in fiscal 2007. The 10 largest taxpayers in the county reflect 14% of total AV, with nine out of 10 companies in the manufacturing sector. Countywide wealth levels have historically been below national levels, at 91% as measured by household effective buying income. The county's unemployment rate was 4.4% in 2005, while retail sales were above average at 106% of the national rate.

Gordon County has continued to maintain a strong financial position. Fiscal 2007 closed with an ending unreserved general fund balance of \$12 million, or a strong 52% of total operating expenditures. The county has an informal fund balance policy of holding 25% of revenues in reserves; historically, the reserves have been much higher than that, averaging approximately 40% of revenues over the past four years. The county has a history of supporting other funds with general fund monies. As a result, the county had minor drawdowns in fiscals 2003 through 2005, due to large transfers out of the general fund. However, the county was able to maintain a total fund balance of at least 37% of total expenditures during those years. The new jail will increase operational expenses for the county, but the increase will be somewhat offset by not paying to house local inmates elsewhere and having extra capacity to rent beds to other counties.

Overall net debt is moderate at \$1,509 per capita, or 2.19% of market value. Almost all of the county's direct debt outstanding is attributable to the construction of the judicial center, which has a rapid amortization of 85% of the debt retired in 10 years. The county does not plan on issuing any additional debt in the near future.

## Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectation of a continued good financial position, evidenced in part by the maintenance of healthy reserve levels. Standard & Poor's also expects that SPLOST revenues will be adequate to cover lease payments at least through 2012, providing additional stability to the rating.

## Financial Management Assessment: 'Standard'

Gordon County's financial management practices are considered "standard" according to Standard & Poor's Financial Management Assessment (FMA). An FMA of standard indicates that management maintains adequate policies in some but not all key areas. Management creates budget reports for the council monthly, and amendments can be made when necessary. Management has an informal policy of holding general fund reserve levels above 25% of operations, and while the county does not have formal debt or investment policies, it does monitor debt and investments closely and does adhere to Georgia state law. The county does not currently create financial forecasts,

but does have an active capital improvement plan that it updates regularly.

## **Special Local Option Sales Tax**

The county has dedicated, although not pledged, revenues from its 1% SPLOST to pay for the majority of debt service related to the series 2006 and 2008 COPs. Pursuant to the Georgia Special County 1 Percent Sales and Use Tax Act, counties may impose a 1% sales and use tax for up to six years if approved by a majority of voters. Gordon County voters approved the SPLOST in November 2005, and the county will impose it through April 2012. In 2006, SPLOST revenues totaled \$8.9 million, a strong 1.76x MADS coverage. After approximately 7% annual growth in SPLOST revenues over the past five years, a slowdown in the economy both locally and nationally, specifically in the housing market, has SPLOST returns leveling off in 2007 yet maintaining adequate coverage through 2012. Debt service levels are scheduled to drop off significantly at the sunset of the SPLOST, from an average of \$4.7 million annually between 2008 and 2012, to an average of \$604,000 annually through the retirement of the series 2008 COPs in 2028.