

Tax Supported  
New Issue

## Polk County, Iowa

**Ratings****New Issues**

General Obligation Refunding Bonds, Series 2010A	AAA
General Obligation Bonds, Series 2010B	AAA
General Obligation Bonds, Series 2010C	AAA

**Outstanding Debt**

General Obligation Bonds	AAA
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**Rating Outlook**

Stable

**Analysts**

James Mann  
+1 212 908-9148  
[jim.mann@fitchratings.com](mailto:jim.mann@fitchratings.com)

Sara DiFrancesco  
+1 212 908-0744  
[sara.difrancesco@fitchratings.com](mailto:sara.difrancesco@fitchratings.com)

**New Issue Details**

**Sale Information:** \$51,400,000 General Obligation Refunding Bonds, Series 2010A, \$42,685,000 General Obligation Bonds, Series 2010B, and \$15,485,000 General Obligation Bonds, Series 2010C, to sell during the week of Dec. 13 via competition.

**Security:** The county's full faith and credit and its ad valorem tax, without limitation as to rate or amount.

**Purpose:** To fund various capital improvements.

**Final Maturity:** June 1, 2025.

**Related Research**

For information on Build America Bonds, visit [www.fitchratings.com/BABs](http://www.fitchratings.com/BABs).

**Applicable Criteria**

- *Tax-Supported Rating Criteria, Aug. 16, 2010*
- *U.S. Local Government Tax-Supported Rating Criteria, Oct. 8, 2010*

**Other Research**

- *Fitch Rates Polk County, IA GO's AAA; Outlook Stable Dated Dec. 3, 2010*

**Rating Rationale**

- The regional economy has weathered the recession well, benefiting from the stability of the state government and its position as a regional insurance and financial center.
- Polk County, IA residents display a superior economic profile with above-average wealth levels coupled with below-average unemployment rates.
- Debt ratios are low, amortization is above average, and future capital needs appear modest.
- The county's financial position is strong and should remain so despite projected nominal drawdowns in future years.

**Key Rating Drivers**

- Management's ability to restore financial equilibrium after planned drawdowns amid the current economic recession.
- The continued receipt of sufficient gaming revenues to support a sizable portion of general obligation debt service.

**Credit Summary**

Polk County, the most populous county in the state, enjoys a substantial economic base anchored by the state capital and its position as a regional financial center. Employment within the insurance and financial services sector as a percentage of total employment is nearly three times the national average and plays a vital role in the region's prosperity. Leading employers include Wells Fargo (11,600), the state (8,900), Principal Financial Group (8,169), and Iowa Health System (6,470). While the financial services and insurance industry recently contracted on a national basis, the area did not face similar disruptions. Socioeconomic indicators are superior, with per capita income levels at 117% of the state average coupled with the September 2010 unemployment rate at 6.5% compared to the state and national averages of 6.3% and 9.2%, respectively.

The tax base is primarily residential and has continued to experience growth despite the national recession. The tax base is well diversified, with the top 10 payers accounting for 10% of total assessed valuation. As of the second-quarter 2010, data available to Fitch Ratings indicate housing foreclosure rates were below the national average.

The county's fiscal 2009 general fund cushion was solid, with a 20% (\$27.6 million) unreserved balance despite a 2% (\$2.7 million) operating deficit after transfers. Additionally, the county had a \$7 million contingency reserve that provides additional flexibility.

Preliminary results for fiscal 2010 indicate the county ended the year with essentially break-even operations and preserved its existing general fund balance. For fiscal 2011, management budgeted, and currently expects to realize, a \$1.0 million drawdown on the general fund balance. Prospectively, the county is reviewing and prioritizing

## Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	12/3/10
AAA	Revised	Stable	4/30/10
AA+	Affirmed	Stable	11/6/08
AA+	Affirmed	Stable	11/29/06
AA+	Affirmed	Stable	5/17/06
AA+	Affirmed	Stable	6/8/04
AA+	Affirmed	Stable	12/8/03
AA+	Affirmed	Stable	11/21/01
AA+	Assigned	Stable	6/1/01

government services to identify potential spending reductions and operating efficiencies to balance future budgets.

Direct debt ratios are extremely low at \$522 per capita and 0.7% of market value. Overall debt is also easily managed at \$1,076 per capita and 1.5% of market value. Principal amortization is above average, with over 72% of principal retired within 10 years. Future borrowing plans are limited, although several large projects, such as a court complex renovation, are under consideration. Maximum annual debt service is high

at 20% of combined general fund and debt service fund expenditures. However, roughly 57% of the total is expected to be supported from non-property tax revenues, including a significant portion from gaming revenues. If the potentially volatile gaming revenues were to decline precipitously, the general fund would likely be required to subsidize the shortfall, which could stress the county's currently robust financial position. The county's historical receipt of consistent amounts from gaming activity even during an unfavorable economic cycle partially ameliorates this concern. Long-term liabilities related to employment benefits are modest. Most employees are in state-sponsored pension plans, and the county annually funds its full actuarially required contribution. Annual contributions have increased noticeably over the last several years and equaled roughly 4% of total general fund expenditures in fiscal 2009. The county allows its retirees to participate in its healthcare plan at 100% of the stated premium until the retiree reaches Medicare eligibility (implicit rate subsidy).

## Debt Statistics

(\$000)

This Issue	110,425
Outstanding Direct Debt – Net of Refunding	271,774
Self-Supporting	(158,014)
<b>Total Net Direct Debt</b>	<b>224,185</b>
Overlapping Debt	237,863
<b>Total Overall Debt</b>	<b>462,048</b>

## Debt Ratios

Net Direct Debt Per Capita (\$) <sup>a</sup>	522
As % of Market Value <sup>b</sup>	0.7
Overall Debt Per Capita (\$) <sup>a</sup>	1,076
As % of Market Value <sup>b</sup>	1.5

<sup>a</sup>Population: 429,439 (2009).

<sup>b</sup>Market value: \$31,771,867 (2010).

Note: Numbers may not add due to rounding.

## General Fund Financial Summary

(\$000, Fiscal Years Ended June 30)

	2006	2007	2008	2009
<b>Revenues</b>				
Property Tax	66,093	71,983	79,838	82,568
Other Tax	5,075	4,817	5,708	5,894
Total Tax	71,168	76,800	85,546	88,462
Licenses and Permits	528	419	457	342
Charges for Services	10,420	10,418	9,810	10,061
Intergovernmental	22,143	21,763	23,257	25,850
Other	6,227	7,853	7,175	4,619
<b>Total</b>	<b>110,486</b>	<b>117,253</b>	<b>126,245</b>	<b>129,334</b>
% Change	—	6.1	7.7	2.4
<b>Expenditures</b>				
General Government	23,594	24,852	24,595	26,764
Public Safety	0	0	50,377	56,511
Health and Social Services	26,021	26,741	29,161	31,636
Environment and Educational	0	0	6,949	7,318
Capital Outlay	0	0	189	143
Other	57,695	62,047	6,539	6,683
<b>Total</b>	<b>107,310</b>	<b>113,640</b>	<b>117,810</b>	<b>129,055</b>
% Change	—	5.9	3.7	9.5

Note: Numbers may not add due to rounding.

**General Fund Financial Summary (continued)**

(\$000, Fiscal Years Ended June 30)

	2006	2007	2008	2009
<b>Operating Surplus/(Deficit)</b>	<b>3,176</b>	<b>3,613</b>	<b>8,435</b>	<b>279</b>
Transfers In	5,895	4,404	3,261	3,363
Other Sources	558	169	0	338
Transfers Out	5,092	5,352	9,992	6,647
Net Transfers and Other Uses	1,358	(779)	(6,731)	(2,946)
<b>Net Surplus/(Deficit)</b>	<b>4,534</b>	<b>2,834</b>	<b>1,704</b>	<b>(2,667)</b>
As % of Spending	4.0	2.4	1.3	(2.0)
<b>Fund Balances</b>				
Total Fund Balance	33,684	36,562	38,338	35,689
As % of Expenditures, Transfers Out, and Other Uses	30.0	30.7	30.0	26.3
Unreserved Fund Balance	27,459	31,554	29,778	27,566
As % of Expenditures, Transfers Out, and Other Uses	24.4	26.5	23.3	20.3
Undesignated, Unreserved Fund Balance	27,459	31,554	29,778	27,566
As % of Expenditures, Transfers Out, and Other Uses	24.4	26.5	23.3	20.3

Note: Numbers may not add due to rounding.

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