New Issue: **MOODY'S ASSIGNS Aaa RATING WITH STABLE OUTLOOK TO POLK COUNTY (IA) $51.4 MILLION GO REFUNDING BONDS, SERIES 2010A, $42.7 MILLION GO BONDS, SERIES 2010B, AND $15.5 MILLION GO BONDS, SERIES 2010C**

Global Credit Research - 09 Dec 2010

Aaa RATING AFFECTS $267.4 MILLION IN POST SALE GOULT DEBT

County
IA

Moody's Rating

ISSUE		**RATING**
General Obligation Refunding Bonds, Series 2010A		Aaa
Sale Amount	$51,400,000	
Expected Sale Date	12/15/10	
Rating Description	General Obligation	
General Obligation Bonds, Series 2010B		Aaa
Sale Amount	$42,685,000	
Expected Sale Date	12/15/10	
Rating Description	General Obligation	
General Obligation Bonds, Series 2010C		Aaa
Sale Amount	$15,485,000	
Expected Sale Date	12/15/10	
Rating Description	General Obligation	

Opinion

NEW YORK, Dec 9, 2010 -- Moody's Investors Service has assigned a Aaa rating to Polk County's (IA) $51.4 million General Obligation Refunding Bonds, Series 2010A; $42.7 million General Obligation Bonds, Series 2010C; and $15.5 million General Obligation Bonds, Series 2010C. Concurrently, Moody's has affirmed the Aaa rating on the county's unlimited tax obligations, affecting $267.4 million in debt post-sale and the Aa1 rating on the county's limited tax obligations, affecting $4.6 million in debt post-sale. The ratings carry a stable outlook.

RATINGS RATIONALE

The Series 2010 bonds are secured by Polk County's general obligation unlimited tax pledge while the limited tax obligations are secured by the county's $3.50 per $1,000 of assessed valuation General Basic tax rate. Proceeds from the Series 2010A bonds will refund the outstanding Series 2002 bonds in order to restructure the payments to create level debt service. This restructuring will extend the original maturity of the bonds, but could still result in a small net present value savings. Proceeds from the Series 2010B bonds will finance improvements and renovations to the Iowa Events Center while the Series 2010C bonds will finance grants to fund housing programs and renovations to facilities that were damaged during the June 2008 flood. Moody's gilt-edged rating reflects the county's predominate role as the employment and population hub for the state of Iowa (Issuer Rating Aaa with stable outlook); sound financial operations that we expect will remain so due to favorable management practices and the presence of healthy reserves; and a manageable debt position with annual borrowing planned over the long term.

EMPLOYMENT AND POPULATION HUB FOR STATE; HOME TO STATE CAPITOL

Polk County is located in central Iowa and is home to Des Moines (Aa1), the state capitol, and a diverse set of employers in the insurance, financial services, and government industries. Due to the stability of the county's economy and growth related to business development and residential construction, the county's full value has grown 6.0% on average annually between 2005 and 2009 to a sizable $31.8 billion. Despite a nationwide slow down in development, officials report that local construction projects are moving forward including the $194 million Wellmark Blue Cross Blue Shield downtown headquarters building, the Riverpoint West mixed use housing and office project valued at $180 million, and various condominium and residential housing projects, which will promote downtown population growth in Des Moines. Going forward, a Belgium-based firm has announced plans to renovate an existing building in downtown Des Moines in order to locate its U.S. headquarters in the facility. Additionally, Kemin Industries recently announced plans to expand with a $20 million investment to its existing operations and add 100 new jobs over the next five years. We note, Wells Fargo (senior unsecured rating A1 with stable outlook) one of the county's major employers and taxpayers, recently divested itself of a business line that was primarily located within Des Moines. As a result of the elimination, Wells Fargo will reduce its workforce in downtown Des Moines by 1,000 people, but plans to shuffle employees from other locations into its downtown campus resulting in a net loss of around 300 people. We expect due to the county's ample availability of land and stable economy, tax base growth will continue.

Despite substantial institutional presence, which could depress the demographic profile of the county, per capita and median family income levels continue to trend higher than the national levels. Additionally, the county's unemployment rate of 6.7% continues to trend on par with the state's and below the national rate in August 2010.

FINANCIAL OPERATIONS REMAIN SOUND DUE TO THE PRESENCE OF HEALTHY RESERVES

Over the last seven completed fiscal years, the county has closed four with operating surpluses, which has grown the General Fund balance from an adequate $24.1 million (24.8% of General Fund revenues) at fiscal year-end 2003 to a healthy $35.7 million at fiscal year-end 2009 (26.8% of General Fund revenues). Favorably, as the total General Fund balance has increased, so has the unrestricted amount, growing from about $16 million (16.3% of revenues) at the close of fiscal 2003 to $27.7 million (20.7% of revenues) at the close of fiscal 2009. As a result of conservative budgeting and careful management of expenditure growth, the county now meets its board adopted General Fund policy of maintaining an unrestricted General Fund balance of at least 20% of budgeted expenditures, but not to exceed 25%. Following several years of operating surpluses to achieve the fund balance policy, fiscal 2009 ended with an operating deficit of about $2.7 million. The deficit occurred due to planned use of fund balance to finance the transition to the new jail and delayed receipt of a $1 million FEMA reimbursement for flood mitigation. Favorably, included in the fiscal 2009 budget was transfers from the General Fund to the Contingency Reserve Fund and to shore up reserves to fund the 27th payroll check (which will be paid in 2016). The Contingency Reserve Fund is maintained at a level between $5 million and $8 million and can be drawn upon to meet temporary shortfalls in other funds or finance costs associated with unexpected events, such as the June 2008 flood. Officials report that preliminary 2010 results show an operating surplus, which will increase the cash balance in the General Fund from $36.5 million to $37 million. As fiscal 2011 has begun, officials anticipate closing the year with balanced operations. Fiscal 2009 operations were supported primarily by taxes (62.1%), intergovernmental (19.4%), and charges for services (7.6%). Going forward, given management's prudent planning for future expenditures coupled with the presence of healthy reserves that are expected to remain stable, we believe the county's financial position will remain sound over the long term.

DEBT POSITION CONSISTENT WITH RATING CATEGORY PEERS; ANNUAL BORROWING EXPECTED

Inclusive of the current transactions, the county's debt position is low at 1.1% overall and 0.4% direct. These debt ratios are reported inclusive of a substantial amount of annual debt service payments the county abates with non-levy resources. Going forward, officials have detailed plans to issue about $1.5 million annually in general obligation bonds to finance capital projects and $2.3 million annually to finance ongoing housing programs. Despite these plans, we believe the county's debt position will remain consistent with its rating category peers due to future tax base growth and as direct debt obligations are retired at an above-average 72% in ten years. All of the county's debt is fixed rate and there is no exposure to interest rate swap agreements.

WHAT COULD CHANGE THE RATING - DOWN

-Material multi-year operational imbalances, negatively affecting General Fund reserves

-Deterioration of taxable values, pressuring the county's largest revenue stream

KEY STATISTICS

2000 Census population: 364,672

2009 Estimated Population: 424,778 (+13.4% since 2000 Census)

2009 Full Value: $31.8 billion

Full value per capita: $74,796

Polk County Unemployment (8/2010): 6.7% (6.6% IA; 9.5% US)

1999 Per Capita Income: $23,654 (120.2% of IA; 109.6% of US)

1999 Median Family Income: $56,560 (117.8% of IA; 113% of US)

Debt Burden: 1.1% (0.4% direct)

Principal amortization (10 years): 71.8%

FY09 General Fund balance: $35.7 million (26.8% of General Fund revenues)

Post-sale GO Unlimited Tax debt: $267.4 million

Post-sale GO Limited Tax debt: $4.6 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings and public information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

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