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Fort Bend County, Texas

Pricing Book

Unlimited Tax Road Refunding Bonds, Series 2014

Fort Bend County, Texas

March 4, 2014



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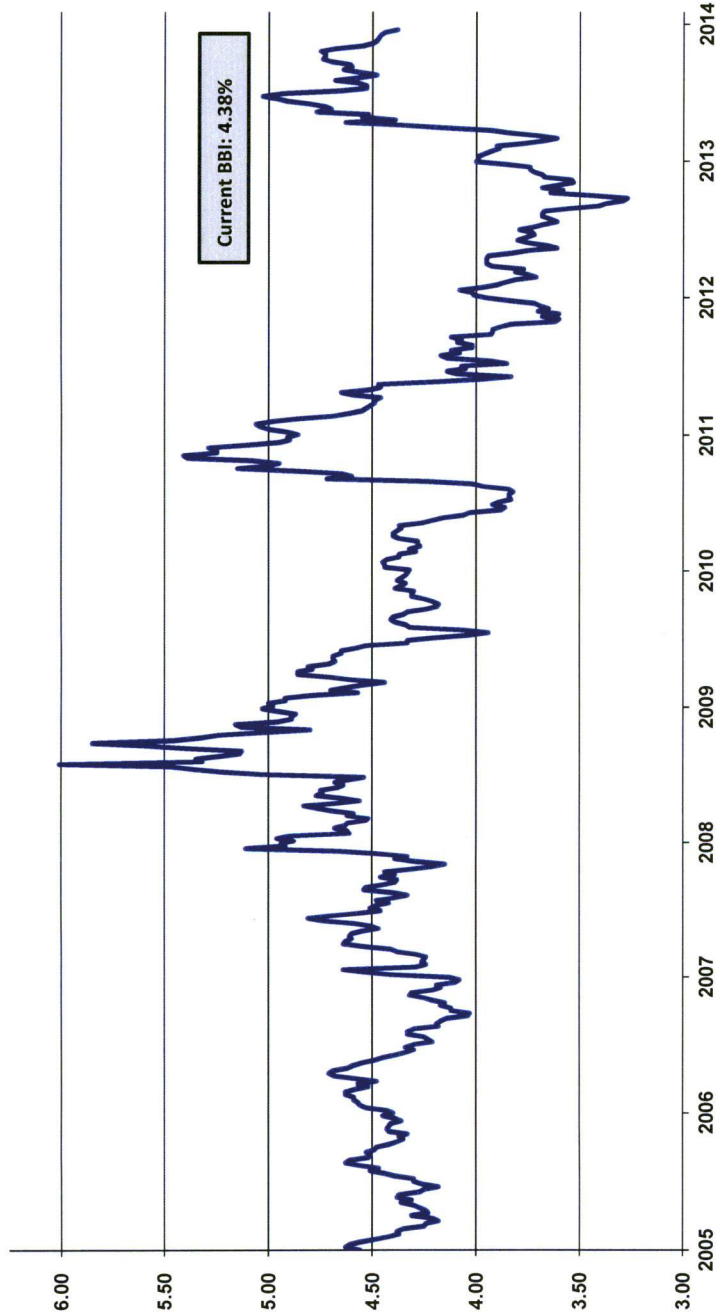


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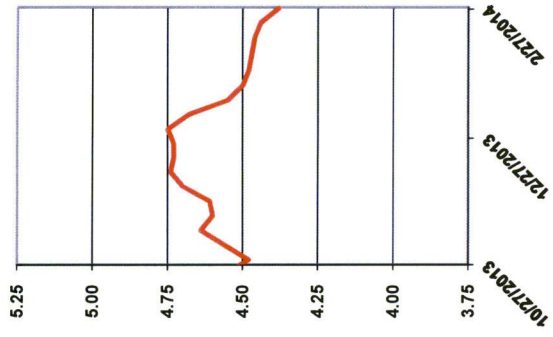
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Historical Interest Rates General Obligation "Bond Buyer's" Index Over Past 10 Years As of 02/27/14



The most important guide as to what the Municipal Bond Market has done in one time period versus another is the "Bond Buyer's" 20 Bond Index. Published on Thursday of each week, it is the accepted guide of the Municipal Bond Industry to determine trends and movements of interest rates in the market. To compute the index each week a poll is taken of several large investment banking houses on the 20 year price (expressed in terms of an interest rate) of the outstanding bonds of certain municipalities.



SOURCES AND USES OF FUNDS

Fort Bend County, Texas
Unlimited Tax Road Refunding Bonds, Series 2014
FINAL NUMBERSDated Date 04/01/2014
Delivery Date 04/03/2014

Sources:

Bond Proceeds:	
Par Amount	18,900,000.00
Accrued Interest	3,911.88
Premium	<u>2,202,025.85</u>
	21,105,937.73

Other Sources of Funds:	
Transfer from Debt Service Fund	204,449.38
	<u>21,310,387.11</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.18
SLGS Purchases	<u>21,065,913.00</u>
	21,065,913.18

Other Fund Deposits:	
Accrued Interest	3,911.88

Delivery Date Expenses:	
Cost of Issuance	126,000.00
Underwriter's Discount	<u>112,087.24</u>
	238,087.24

Other Uses of Funds:	
Contingency	2,474.81
	<u>21,310,387.11</u>

SUMMARY OF REFUNDING RESULTS

Fort Bend County, Texas
Unlimited Tax Road Refunding Bonds, Series 2014
FINAL NUMBERS

Dated Date	04/01/2014
Delivery Date	04/03/2014
Arbitrage yield	2.184547%
Escrow yield	0.089584%
Value of Negative Arbitrage	391,014.57
Bond Par Amount	18,900,000.00
True Interest Cost	2.428491%
Net Interest Cost	2.621339%
All-In TIC	2.523033%
Average Coupon	4.135020%
Average Life	7.300
Weighted Average Maturity	7.389
Par amount of refunded bonds	20,095,000.00
Average coupon of refunded bonds	4.870313%
Average life of refunded bonds	7.405
Remaining weighted average maturity of refunded bonds	7.405
PV of prior debt to 04/03/2014 @ 2.523033%	23,307,406.12
Net PV Savings	2,239,018.13
Percentage savings of refunded bonds	11.142165%
Percentage savings of refunding bonds	11.846657%

SUMMARY OF BONDS REFUNDED

Fort Bend County, Texas
Unlimited Tax Road Refunding Bonds, Series 2014
FINAL NUMBERS

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Unlimited Tax Road Bonds, Series 2006, 2006UT:					
SERIAL	03/01/2016	5.000%	1,405,000.00	03/01/2015	100.000
	03/01/2017	5.000%	1,480,000.00	03/01/2015	100.000
	03/01/2018	5.000%	1,555,000.00	03/01/2015	100.000
	03/01/2019	5.000%	1,635,000.00	03/01/2015	100.000
	03/01/2020	5.000%	1,715,000.00	03/01/2015	100.000
	03/01/2021	5.000%	1,805,000.00	03/01/2015	100.000
	03/01/2022	5.000%	1,900,000.00	03/01/2015	100.000
	03/01/2023	5.000%	1,995,000.00	03/01/2015	100.000
	03/01/2024	5.000%	2,100,000.00	03/01/2015	100.000
	03/01/2025	4.625%	2,200,000.00	03/01/2015	100.000
	03/01/2026	4.625%	2,305,000.00	03/01/2015	100.000
			20,095,000.00		

SAVINGS

Fort Bend County, Texas
 Unlimited Tax Road Refunding Bonds, Series 2014
 FINAL NUMBERS

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Annual Savings	Present Value to 04/03/2014 @ 2.5230325%
04/03/2014		204,449.38	(204,449.38)		3,911.88	(3,911.88)	(200,537.50)		(200,537.50)
09/01/2014	493,928.13		493,928.13	293,390.63		293,390.63	200,537.50		198,481.06
03/01/2015	493,928.13		493,928.13	352,068.75		352,068.75	141,859.38		138,655.50
09/01/2015	493,928.13		493,928.13	352,068.75		352,068.75	141,859.38	283,718.76	136,928.13
03/01/2016	1,898,928.13		1,898,928.13	1,807,068.75		1,807,068.75	91,859.38		87,561.60
09/01/2016	458,803.13		458,803.13	337,518.75		337,518.75	121,284.38	213,143.76	114,169.64
03/01/2017	1,938,803.13		1,938,803.13	1,817,518.75		1,817,518.75	121,284.38		112,747.32
09/01/2017	421,803.13		421,803.13	330,118.75		330,118.75	91,684.38	212,968.76	84,169.02
03/01/2018	1,976,803.13		1,976,803.13	1,825,118.75		1,825,118.75	151,684.38		137,516.04
09/01/2018	382,928.13		382,928.13	320,775.00		320,775.00	62,153.13	213,837.51	55,645.63
03/01/2019	2,017,928.13		2,017,928.13	1,865,775.00		1,865,775.00	152,153.13		134,525.47
09/01/2019	342,053.13		342,053.13	282,150.00		282,150.00	59,903.13	212,056.26	52,303.26
03/01/2020	2,057,053.13		2,057,053.13	1,902,150.00		1,902,150.00	154,903.13		133,565.71
09/01/2020	299,178.13		299,178.13	241,650.00		241,650.00	57,528.13	212,431.26	48,985.85
03/01/2021	2,104,178.13		2,104,178.13	1,931,650.00		1,931,650.00	172,528.13		145,079.43
09/01/2021	254,053.13		254,053.13	216,300.00		216,300.00	37,753.13	210,281.26	31,351.22
03/01/2022	2,154,053.13		2,154,053.13	1,966,300.00		1,966,300.00	187,753.13		153,972.89
09/01/2022	206,553.13		206,553.13	181,300.00		181,300.00	25,253.13	213,006.26	20,451.63
03/01/2023	2,201,553.13		2,201,553.13	2,011,300.00		2,011,300.00	190,253.13		152,159.84
09/01/2023	156,678.13		156,678.13	135,550.00		135,550.00	21,128.13	211,381.26	16,687.25
03/01/2024	2,256,678.13		2,256,678.13	2,055,550.00		2,055,550.00	201,128.13		156,874.44
09/01/2024	104,178.13		104,178.13	92,350.00		92,350.00	11,828.13	212,956.26	9,110.69
03/01/2025	2,304,178.13		2,304,178.13	2,102,350.00		2,102,350.00	201,828.13		153,522.57
09/01/2025	53,303.13		53,303.13	42,100.00		42,100.00	11,203.13	213,031.26	8,415.61
03/01/2026	2,358,303.13		2,358,303.13	2,147,100.00		2,147,100.00	211,203.13	211,203.13	156,675.84
	27,429,775.12	204,449.38	27,225,325.74	24,609,221.88	3,911.88	24,605,310.00	2,620,015.74	2,620,015.74	2,239,018.13

Savings Summary

PV of savings from cash flow	2,239,018.13
Net PV Savings	2,239,018.13

BOND SUMMARY STATISTICS

Fort Bend County, Texas
Unlimited Tax Road Refunding Bonds, Series 2014
FINAL NUMBERS

Dated Date	04/01/2014
Delivery Date	04/03/2014
First Coupon	09/01/2014
Last Maturity	03/01/2026
Arbitrage Yield	2.184547%
True Interest Cost (TIC)	2.428491%
Net Interest Cost (NIC)	2.621339%
All-In TIC	2.523033%
Average Coupon	4.135020%
Average Life (years)	7.300
Weighted Average Maturity (years)	7.389
Duration of Issue (years)	6.451
Par Amount	18,900,000.00
Bond Proceeds	21,105,937.73
Total Interest	5,709,221.88
Net Interest	3,619,283.27
Total Debt Service	24,609,221.88
Maximum Annual Debt Service	2,147,950.00
Average Annual Debt Service	2,065,744.31
Underwriter's Fees (per \$1000)	
Average Takedown	4.076058
Management Fee	1.000000
Other Fee	0.854484
Total Underwriter's Discount	5.930542
Bid Price	111.057876

Bond Component	Par Value	Price	Average Coupon	Average Life	Duration	PV of 1 bp change
Bond Component	18,900,000.00	111.651	4.135%	7.300	6.460	12,324.95
	18,900,000.00			7.300		12,324.95

	TIC	All-In TIC	Arbitrage Yield
Par Value	18,900,000.00	18,900,000.00	18,900,000.00
+ Accrued Interest	3,911.88	3,911.88	3,911.88
+ Premium (Discount)	2,202,025.85	2,202,025.85	2,202,025.85
- Underwriter's Discount	(112,087.24)	(112,087.24)	
- Cost of Issuance Expense		(126,000.00)	
- Other Amounts			
Target Value	20,993,850.49	20,867,850.49	21,105,937.73
Target Date	04/03/2014	04/03/2014	04/03/2014
Yield	2.428491%	2.523033%	2.184547%

BOND PRICING

Fort Bend County, Texas
Unlimited Tax Road Refunding Bonds, Series 2014
FINAL NUMBERS

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)	Takedown
Bond Component:										
	03/01/2016	1,455,000.00	2.000%	0.320%	103.198				46,530.90	2.500
	03/01/2017	1,480,000.00	1.000%	0.520%	101.384				20,483.20	2.500
	03/01/2018	1,495,000.00	1.250%	0.790%	101.767				26,416.65	3.750
	03/01/2019	1,545,000.00	5.000%	1.110%	118.541				286,458.45	3.750
	03/01/2020	1,620,000.00	5.000%	1.540%	119.476				315,511.20	3.750
	03/01/2021	1,690,000.00	3.000%	1.920%	106.957				117,573.30	3.750
	03/01/2022	1,750,000.00	4.000%	2.240%	112.693				222,127.50	3.750
	03/01/2023	1,830,000.00	5.000%	2.460%	120.211				369,861.30	5.000
	03/01/2024	1,920,000.00	4.500%	2.620%	114.852 C	2.775%	03/01/2023	100.000	285,158.40	5.000
	03/01/2025	2,010,000.00	5.000%	2.740%	117.759 C	3.072%	03/01/2023	100.000	356,955.90	5.000
	03/01/2026	2,105,000.00	4.000%	3.050%	107.361 C	3.250%	03/01/2023	100.000	154,949.05	5.000
		18,900,000.00							2,202,025.85	

Dated Date	04/01/2014	
Delivery Date	04/03/2014	
First Coupon	09/01/2014	
Par Amount	18,900,000.00	
Premium	2,202,025.85	
Production	21,102,025.85	111.650930%
Underwriter's Discount	(112,087.24)	(0.593054%)
Purchase Price	20,989,938.61	111.057876%
Accrued Interest	3,911.88	
Net Proceeds	20,993,850.49	

BOND DEBT SERVICE

Fort Bend County, Texas
 Unlimited Tax Road Refunding Bonds, Series 2014
 FINAL NUMBERS

Dated Date 04/01/2014
 Delivery Date 04/03/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2014			293,390.63	293,390.63	293,390.63
03/01/2015			352,068.75	352,068.75	
09/01/2015			352,068.75	352,068.75	704,137.50
03/01/2016	1,455,000.00	2.000%	352,068.75	1,807,068.75	
09/01/2016			337,518.75	337,518.75	2,144,587.50
03/01/2017	1,480,000.00	1.000%	337,518.75	1,817,518.75	
09/01/2017			330,118.75	330,118.75	2,147,637.50
03/01/2018	1,495,000.00	1.250%	330,118.75	1,825,118.75	
09/01/2018			320,775.00	320,775.00	2,145,893.75
03/01/2019	1,545,000.00	5.000%	320,775.00	1,865,775.00	
09/01/2019			282,150.00	282,150.00	2,147,925.00
03/01/2020	1,620,000.00	5.000%	282,150.00	1,902,150.00	
09/01/2020			241,650.00	241,650.00	2,143,800.00
03/01/2021	1,690,000.00	3.000%	241,650.00	1,931,650.00	
09/01/2021			216,300.00	216,300.00	2,147,950.00
03/01/2022	1,750,000.00	4.000%	216,300.00	1,966,300.00	
09/01/2022			181,300.00	181,300.00	2,147,600.00
03/01/2023	1,830,000.00	5.000%	181,300.00	2,011,300.00	
09/01/2023			135,550.00	135,550.00	2,146,850.00
03/01/2024	1,920,000.00	4.500%	135,550.00	2,055,550.00	
09/01/2024			92,350.00	92,350.00	2,147,900.00
03/01/2025	2,010,000.00	5.000%	92,350.00	2,102,350.00	
09/01/2025			42,100.00	42,100.00	2,144,450.00
03/01/2026	2,105,000.00	4.000%	42,100.00	2,147,100.00	2,147,100.00
	18,900,000.00		5,709,221.88	24,609,221.88	24,609,221.88

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa1 to Fort Bend County's (TX) \$19 M GOULT Refunding Bonds Series 2014

Global Credit Research - 28 Feb 2014

Affirms Aa1 rating on approximately \$448M in outstanding debt

FORT BEND (COUNTY OF) TX
Counties
TX

Moody's Rating

ISSUE	RATING
Unlimited Tax Road Refunding Bonds, Series 2014	Aa1
Sale Amount	\$18,835,000
Expected Sale Date	03/11/14
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, February 28, 2014 --Moody's Investors Service has assigned a Aa1 underlying rating to Fort Bend County's (TX) \$18.8 million Unlimited Tax Road Refunding Bonds, Series 2014. At the same time, Moody's affirms the Aa1 rating of roughly \$448 million in outstanding debt previously issued by the County. Proceeds from the sale will be used to refund the County's Unlimited Tax Road Bonds from 2006 for a projected net present value savings of 9% with no extension of the final maturity.

SUMMARY RATING RATIONALE

The bonds are payable from the levy and collection of a direct and continuing ad valorem tax, without legal limit as to rate or amount, on all taxable property located within the county. The Aa1 rating reflects the county's advantageous location in the Houston (Aa2 stable) metropolitan area, significant growth in the county's large tax base, stable financial performance with adequate reserves, an above average debt burden and an average pension obligation.

STRENGTHS

- * Sizeable year-over-year growth in large tax base
- * Stable financial performance
- * Above average socioeconomic profile

CHALLENGES

- * Above average debt burden with slow payout of principal

DETAILED CREDIT DISCUSSION

SIZEABLE YEAR-OVER-YEAR GROWTH IN COUNTY'S LARGE TAX BASE; STABILITY EXPECTED MOVING FORWARD

We believe the county's sizeable tax base and above average socioeconomic profile are credit positives and reflected in the current rating of Aa1. Fort Bend County is located in southeast Texas near Harris County

(Aaa/Stable outlook) and the City of Houston. The county, with an estimated population of 643,408, is 886 square miles and home to the cities of Sugar Land (Aa1) and Rosenberg (Aa3, county seat). Residential and commercial building continues to increase from historic lows in fiscal 2010. In fiscal 2014 the county's taxable value grew to a significant \$44.3 billion up from \$39.4 billion in the previous year, reflecting a sizeable 12.5% year-over-year increase in total taxable value. The county's taxable value has increased in four of the last five years averaging 3.1% growth, which includes a 2.7% loss in total taxable value in fiscal 2011.

Officials report development continues throughout the county, especially in locations near the Grand Parkway corridor. A section of the transportation route was recently opened south of the Highway 90A interchange, which officials are hopeful will ease some transportation challenges in the southern portion of the county. Regional mobility and transportation projects continue throughout the county, which officials are hopeful will promote ease of transit throughout area. Two new food distribution centers have opened in the county in the last year and several existing major employers, such as Fluor Corporation (A3/Stable outlook), are expanding operations. The county's tax base consists primarily of single-family residential properties (66.7% of the county's total tax base) and commercial/industrial properties (13%). The county's top ten taxpayers make up a modest 5.5% of the county's total tax base and includes several utilities and shopping malls. The county's socioeconomic profile has historically outpaced the state and national averages. The American Community Survey data from 2000 to 2010 indicate above average wealth levels, evidenced by a per capita income and median family income of 117% and 140% of national levels, respectively. The December 2013 unemployment rate for the county was 5.0%, which was below the state (5.6%) and national averages (6.5%) for the same time frame.

STABLE FINANCIAL OPERATIONS CONTINUE; RESERVE LEVELS ADEQUATE

The county's financial performance remains stable; cash reserve remain adequate and in line with the county's formal fund balance policy. The county's total General Fund balance at fiscal year-end 2012 was \$36 million (an adequate 17.7% of General Fund revenues), which remains above the county's formal Fund balance policy of maintaining 15% of expenditures in reserve. The majority of fiscal 2012 General Fund revenues were derived from property taxes (75% of total General Fund revenues), with smaller portions coming from fees and fines (14%) and intergovernmental revenues (8%). Primary spending in the General Fund consist of expenditures for administration of justice (26.8% of total General Fund expenditures), public safety (21%), general administration (16%), and health and welfare (10.8%). The county also has a historic budgeted transfer of \$8 to \$9 million for juvenile operations.

Officials reports stable financial performance through fiscal 2013. Officials estimate (unaudited) General Fund revenues of \$218.7 million and total General Fund expenditures of \$207 million. Following an anticipated transfer out of the General Fund, the total balance is expected to increase to \$37.7 million or 17.2% of General Fund revenues. General Fund cash and cash equivalents is expected to be \$39.8 million. Moving into fiscal 2014, management reports year-to-date expenditures are tracking 95% of budget while revenues are tracking roughly 102% of budget. The county does not anticipate any significant financial challenges in fiscal 2014 and do not anticipate drawing reserve below the county's formal fund balance policy.

MANAGEABLE PENSION OBLIGATIONS BUT ABOVE AVERAGE DEBT BURDEN; RECENT BOND ELECTION SUCCESSFUL

We believe the county's debt burden will remain high in the near to medium term given the county's current debt profile, slow payout of principal outstanding, and plans for additional debt issuances. The county has roughly \$622 million in outstanding debt, which includes the impact of the current Series 2014 Refunding Bonds as well as includes \$155 million in outstanding Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax Bonds. The county's direct debt burden is average at 1.4%, which does not account for any support from toll revenues. The county's overall debt burden is high at 11.4%, which is reflective of debt issued by numerous school districts, municipalities, municipal utility districts, and other issuers of debt in the county. Payout of the county's principal debt outstanding is below average with only 38% of debt retired in ten years with all debt maturing in 2046. The county has no variable rate debt nor any swaps. County officials anticipate an issuance of \$41 million in the next 12 months for mobility and transportation projects, which will close out the county's 2007 authorization. The county successfully passed a bond election in November 2011, 21,279 votes for and 7,787 against, authorizing \$184.9 million for mobility projects.

We expect the county's participation in the Texas County and District Retirement System (TCDRS) pension plan to remain manageable in the near term. The county has fully funded its annual pension cost (APC) in each of the last three years. Moody's adjusted net pension liability (ANPL) for the county, under our methodology for adjusting reported pension data, is \$241.8 million. This liability is equal to 0.96x annual operating revenues. This ratio is slightly below the median of 1.0 times for rated local governments. Moody's ANPL reflects certain adjustments we

make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported contribution information, or the reported liability information of the statewide cost-sharing plans, but to improve comparability with other rated entities. The county also has a rising net other post-employment benefit (OPEB) obligation. At fiscal year-end 2012 the county's net OPEB obligation was \$130 million. Officials report minor changes to plan, including eligibility, which should reduce the rate at which the obligation is currently growing. Officials continue to pay-go finance the obligation and look for future options for addressing the challenge.

WHAT COULD MAKE THE RATING GO UP

- * Reduction in overall debt burden
- * Strengthening of cash reserves
- * Continued tax base expansion and diversification

WHAT COULD MAKE THE RATING GO DOWN

- * Weak financial performance leading to narrowing of reserve levels
- * Significant contraction of tax base
- * Increase in debt profile

KEY STATISTICS:

FY 2014 full valuation: \$44.3 billion

FY 2014 full value per capita: \$68,988

2010 ACS Median Family Income: 140% of US

Operating Fund balance as a % of operating revenues (Including Debt Service Fund revenues): 14.2%

5 year dollar change in fund balance as a % of operating revenues: 0.12%

Cash balance as a % of operating revenues (Including Debt Service Fund revenues): 18.6%

5 year dollar change in cash balance as a % of Revenues: -1.07%

Institutional Framework: Aaa

Operating history: 5 year average of operating revenues/operating expenditures: 1.00x

Net direct debt/full value: 1.4%

Net direct debt/operating revenues: 2.47x

3 year average of Moody's adjusted pension liability/full value: 0.45%

3 year average of Moody's adjusted net pension liability/operating revenues: 0.68x

RATING METHODOLOGY

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

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in

relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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FitchRatings

Fitch Rates Fort Bend County, TX ULT Road Rfdg Bonds 'AA+'; Outlook Stable

Ratings Endorsement Policy
28 Feb 2014 4:33 PM (EST)

Fitch Ratings-Austin-28 February 2014: Fitch Ratings has assigned an 'AA+' rating to the following Fort Bend County, Texas' (the county) bonds:

--\$18.8 million unlimited tax (ULT) road refunding bonds, series 2014.

The bonds are expected to price via negotiation March 3. Bond proceeds will be used to refund certain maturities for economic savings and to pay issuance costs.

In addition, Fitch affirms the following outstanding ratings at 'AA+':

--\$277 million (pre-refunding) ULT road bonds;

--\$183.6 million limited tax bonds;

--\$155.1 million limited contract tax and subordinate lien toll revenue bonds (issued by Fort Bend Grand Parkway Toll Road Authority).

SECURITY

The bonds are direct obligations of the county, payable from an unlimited ad valorem tax pledge on all taxable property within the county. No rating distinction is made between the unlimited and limited tax (up to \$0.80 per \$100 TAV) bonds given the wide taxing margin.

KEY RATING DRIVERS

STRONG FINANCIAL POSITION: The county's prudent fiscal practices are evident in the consistent maintenance of strong financial reserves despite growth-related spending pressures while annually investing a significant portion in pay-as-you-go capital projects. Property taxes comprise over three-fourths of the county's general fund resources, providing a level of stability to the county's financial profile and budgeting efforts.

ABOVE-AVERAGE ECONOMY, DEMOGRAPHIC PROFILE: The county benefits from its location within the broad and diverse Houston MSA. County income and educational attainment metrics are well above those of the MSA, state, and nation. The county's own economy continues to expand and diversify, with unemployment levels below state and national averages.

TAV REBOUNDS FROM RECESSION: Taxable assessed valuation (TAV) performance reflects a return to historically solid growth trends after a relatively short, two-year period of sluggish to modestly declining TAV over the recession. Gains in the county's diverse tax base are due largely to significant residential development in the county, which has been bolstered by the county's continued, active efforts to expand its transportation corridors.

HIGH OVERALL DEBT: Overall debt levels are high, reflective of the area's growth-related capital needs. Nonetheless, voters continue to consistently support county management's bond and capital priorities at strong approval rates. Capital needs appear to be manageable and carrying costs are moderate due in part to the below-average pace of principal amortization of the county's direct debt. The pension's funded position is satisfactory.

RATING SENSITIVITIES

SHIFT IN FUNDAMENTALS: The rating is sensitive to shifts in fundamental credit characteristics including conservative fiscal management practices. The significant financial flexibility provided by the county's financial position helps to largely mitigate Fitch's concerns regarding the high debt levels. The Stable Outlook reflects Fitch's expectation that such shifts are unlikely over the near term.

CREDIT PROFILE

Fort Bend County has been one of the fastest growing counties in the state and nation. Currently estimated at nearly 630,000 residents, the county's population has grown rapidly since 2000. Expansion has been fueled by its location within the growing and diverse Houston metropolitan economy as well as the availability of ample land and housing that continues to further develop the county's own economy and employment base.

RESILIENT HOUSTON MSA ECONOMY, TAX BASE

The county's tax base has historically realized strong, double-digit annual gains in line with rapid population expansion. Recessionary economic pressures saw TAV growth begin to slow in fiscal 2010, although the full effect of the recession on the county's tax base was relatively mild and short-lived. The two-year trend of sluggish to modestly declining TAV over fiscal years 2011-2012 reversed course in fiscal 2013 with a 4% gain, primarily due to pent-up housing demand and associated residential development. A strong 12% gain was realized in fiscal 2014, increasing TAV to about \$44.4 billion. The county's tax base is diverse with the top 10 taxpayers comprising 5% of the total tax base. Development projects underway, in addition to ample developable land, support management's conservative assumption of moderate annual TAV growth of 4%-5% over the near term, which Fitch believes is reasonable.

The county's own economic base has grown significantly within the last decade, bolstered by the county's ongoing, active efforts to expand its roadways. Substantial population gains and residential development have resulted in expanding retail and commercial sectors. The county's unemployment rate of 5.0% in December 2013 is down year-over-year and comfortably below the state (5.6%) and the nation (6.5%) for the same period. This is in addition to roughly 2.5% year-over-year labor force growth. Wealth and educational attainment levels remain notably higher than those for the Houston MSA, state, and nation.

CONSERVATIVE FISCAL STEWARDSHIP YIELDS STRONG PERFORMANCE

The county's financial position and conservative fiscal stewardship are important credit strengths. Over the last five fiscal years (fiscals 2008-2012), the county has consistently posted general fund balances comfortably above its policy to maintain a minimum of 15% of expenditures despite spending about \$88 million or an average of 9% of spending in pay-as-you-go capital projects during the same period. The county's tax rate is moderate at just under \$0.50 per \$100 TAV and it has remained stable over the last six fiscal years, although management has shifted portions of the levy to offset the short-lived effect of the recession on the tax base.

Unrestricted general fund reserves totaled \$35.7 million or 17% of spending at fiscal 2012 year-end, down from \$43.9 million the prior fiscal year after management's decision to use a larger than previously anticipated \$8 million in reserves for capital projects. Fiscal 2013 results improve upon a modest drawdown for pay-go capital spending budgeted and anticipate a \$1.7 million surplus with reserves maintained comparable to fiscal 2012. Liquidity remains sound at \$39.8 million or over two months of general operations. The \$204.4 million fiscal 2014 general operating budget is structurally balanced and maintains the 15% reserve floor. Management reports favorable revenue and expenditures trends to budget year-to-date that are anticipated to soften the nearly \$8 million draw on reserves budgeted for pay-go capital spending.

OVERALL DEBT HIGH; OTHER LONG-TERM LIABILITIES MODERATE

Overall debt levels are high at approximately \$7,900 on a per capita basis and 9.0% of market value, reflecting the area's rapid growth. Fitch anticipates overall debt levels will remain elevated from continued, growth-related capital and debt needs of various local governments that outpace TAV and population gains made over the near- to intermediate-term. Principal amortization of the county's outstanding direct debt is below average with 42% retired in 10 years.

Capital needs appear manageable over the near- to intermediate-term as management has proactively addressed its general purpose facility needs with prior bond proceeds and annual pay-as-you-go funding. Fitch believes the county's historically high level of annual pay-as-you-go spending will likely moderate over the near term given sufficient facility capacity and expectations of continued, growth-related operational spending pressures. The county maintains \$41 million in authorized but unissued bonds bond authority for county roads from 2007 that management expects to issue by fiscal 2014 year-end, comparable to prior expectations. Voters again signaled their support for additional transportation investment with strong approval of a \$185 million mobility (ULT) road bond authorization that is somewhat ahead of previous plans and is projected to last the county over the next 5-7 years for prioritized, non-toll road projects. Fitch expects the county will require additional debt issuance for roads periodically in the intermediate- to long-term given the area's ongoing rapid population gains.

PENSION FUNDING SATISFACTORY

The county's pension plan is through the Texas County and District Retirement System. Its funded position in this statewide defined benefit plan was good at 82.9% as of the most recent Dec. 31, 2011 actuarial valuation date; the county routinely contributes 100% of its annual required contribution (ARC). The county's funded position remains satisfactory at an estimated 74.7% using Fitch's more conservative investment rate assumption of 7%. Other post-employment benefits (OPEB) are largely associated with retirees' participation in the county's self-insured health care plan. OPEB is funded on a pay-go basis (13% of the ARC in fiscal 2012). Fitch has previously noted the lack of pre-funding as a credit concern,

although recognizing that benefits are subject to annual approval by county officials, which provides a level of expenditure flexibility. Carrying costs for the county (debt service, pension, OPEB costs) totaled a moderate 14.5% of governmental spending in fiscal 2012 due in part to the below-average pace of principal amortization; they are expected to remain manageable over the near- to intermediate-term.

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In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, IHS Global Insight, and the Municipal Advisory Council of Texas.

Applicable Criteria and Related Research:

--'Tax-Supported Rating Criteria' (Aug. 14, 2012);
--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria
U.S. Local Government Tax-Supported Rating Criteria

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