

Pricing Book

Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B

Fort Bend County, Texas

May 10, 2016



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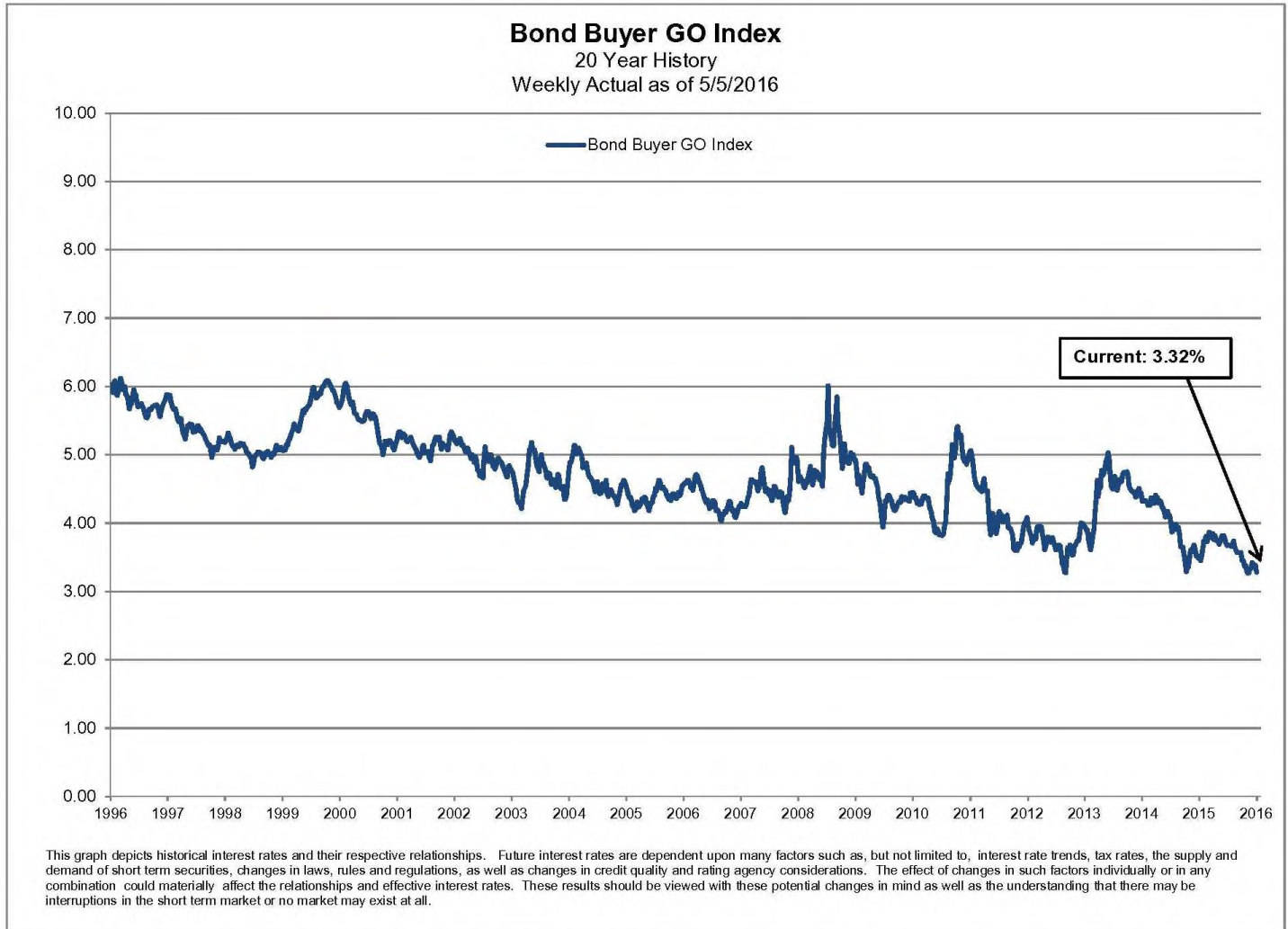
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Historical Interest Rate Graph



Final Numbers

SUMMARY OF FINANCING RESULTS

Fort Bend County, Texas Unlimited Tax Road and Refunding Bonds, Series 2016A Limited Tax and Refunding Bonds, Series 2016B

| | <u>\$75,340,000</u> <u>Series 2016A</u> | <u>\$94,420,000</u> <u>Series 2016B</u> | <u>\$169,760,000</u> <u>Combined</u> |
|--|--|--|---|
| <u>New Money & Refunding :</u> | | | |
| All-In True Interest Cost (for entire issue) | 2.60% | 2.51% | 2.55% |
| <u>Refunding Only:</u> | | | |
| Gross Debt Service Savings | \$5,332,325 | \$9,606,494 | \$14,938,819 |
| Average Annual Savings (2017-2030) | \$410,179 | \$686,178 | \$1,067,058 |
| Present Value Savings | \$4,434,349 | \$7,934,403 | \$12,368,753 |
| PV Savings to Refunded Par | 13.84% | 15.77% | 15.02% |

SOURCES AND USES OF FUNDS

Fort Bend County, Texas
Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B
FINAL NUMBERS

Dated Date 06/01/2016
Delivery Date 06/07/2016

| Sources: | Unlimited Tax Road and Refunding Bonds, Series 2016A | Limited Tax and Refunding Bonds, Series 2016B | Total |
|---|--|--|-----------------------|
| Bond Proceeds: | | | |
| Par Amount | 75,340,000.00 | 94,420,000.00 | 169,760,000.00 |
| Accrued Interest | 62,070.84 | 72,713.34 | 134,784.18 |
| Premium | 16,623,888.40 | 17,532,381.95 | 34,156,270.35 |
| | <u>92,025,959.24</u> | <u>112,025,095.29</u> | <u>204,051,054.53</u> |
| Other Sources of Funds: | | | |
| Transfer from Debt Service Fund | 454,241.67 | 793,927.92 | 1,248,169.59 |
| | <u>92,480,200.91</u> | <u>112,819,023.21</u> | <u>205,299,224.12</u> |
| Uses: | Unlimited Tax Road and Refunding Bonds, Series 2016A | Limited Tax and Refunding Bonds, Series 2016B | Total |
| Project Fund Deposits: | | | |
| Mobility Projects | 57,100,000.00 | | 57,100,000.00 |
| Justice Center Expansion | | 29,200,000.00 | 29,200,000.00 |
| Structured Parking Garage | | 4,700,000.00 | 4,700,000.00 |
| Houston Community College - Sienna Acquisition | | 8,000,000.00 | 8,000,000.00 |
| Fairgrounds Livestock Building | | 6,000,000.00 | 6,000,000.00 |
| Missouri City/Cougar Gym Restoration | | 1,900,000.00 | 1,900,000.00 |
| Pinnacle Aquatic Fitness Center Building | | 750,000.00 | 750,000.00 |
| Parks Upgrades and Enhancements | | 250,000.00 | 250,000.00 |
| Missouri City Branch Library Expansion/Renovation | | 6,400,000.00 | 6,400,000.00 |
| | <u>57,100,000.00</u> | <u>57,200,000.00</u> | <u>114,300,000.00</u> |
| Refunding Escrow Deposits: | | | |
| Cash Deposit | 404.85 | 504.65 | 909.50 |
| Open Market Purchases | 34,731,600.40 | 54,811,684.08 | 89,543,284.48 |
| | <u>34,732,005.25</u> | <u>54,812,188.73</u> | <u>89,544,193.98</u> |
| Other Fund Deposits: | | | |
| Accrued Interest | 62,070.84 | 72,713.34 | 134,784.18 |
| Delivery Date Expenses: | | | |
| Cost of Issuance | 228,061.48 | 285,818.52 | 513,880.00 |
| Underwriter's Discount | 357,402.81 | 446,942.05 | 804,344.86 |
| | <u>585,464.29</u> | <u>732,760.57</u> | <u>1,318,224.86</u> |
| Other Uses of Funds: | | | |
| Contingency | 660.53 | 1,360.57 | 2,021.10 |
| | <u>92,480,200.91</u> | <u>112,819,023.21</u> | <u>205,299,224.12</u> |

BOND PRICING

Fort Bend County, Texas
Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B
FINAL NUMBERS

| Bond Component | Maturity Date | Amount | Rate | Yield | Price | Yield to Maturity | Call Date | Call Price | Premium (-Discount) | Takedown |
|----------------------------|---------------|----------------------|--------|--------|-----------|-------------------|------------|------------|----------------------|----------|
| 2016A Serial Bonds: | | | | | | | | | | |
| | 03/01/2017 | 1,425,000.00 | 2.000% | 0.640% | 100.993 | | | | 14,150.25 | |
| | 03/01/2018 | 1,480,000.00 | 5.000% | 0.780% | 107.250 | | | | 107,300.00 | 2.500 |
| | 03/01/2019 | 3,515,000.00 | 5.000% | 0.880% | 111.101 | | | | 390,200.15 | 2.500 |
| | 03/01/2020 | 3,705,000.00 | 5.000% | 1.020% | 114.541 | | | | 538,744.05 | 2.500 |
| | 03/01/2021 | 3,890,000.00 | 5.000% | 1.140% | 117.735 | | | | 689,891.50 | 2.500 |
| | 03/01/2022 | 4,095,000.00 | 5.000% | 1.270% | 120.560 | | | | 841,932.00 | 3.750 |
| | 03/01/2023 | 4,300,000.00 | 5.000% | 1.430% | 122.837 | | | | 981,991.00 | 3.750 |
| | 03/01/2024 | 4,520,000.00 | 5.000% | 1.560% | 124.966 | | | | 1,128,463.20 | 3.750 |
| | 03/01/2025 | 4,755,000.00 | 5.000% | 1.710% | 126.582 | | | | 1,263,974.10 | 3.750 |
| | 03/01/2026 | 5,000,000.00 | 5.000% | 1.850% | 127.937 | | | | 1,396,850.00 | 3.750 |
| | 03/01/2027 | 5,255,000.00 | 5.000% | 1.980% | 126.613 C | 2.202% | 03/01/2026 | 100.000 | 1,398,513.15 | 4.250 |
| | 03/01/2028 | 5,520,000.00 | 5.000% | 2.050% | 125.907 C | 2.446% | 03/01/2026 | 100.000 | 1,430,066.40 | 4.250 |
| | 03/01/2029 | 5,805,000.00 | 5.000% | 2.120% | 125.205 C | 2.654% | 03/01/2026 | 100.000 | 1,463,150.25 | 4.250 |
| | 03/01/2030 | 2,700,000.00 | 5.000% | 2.180% | 124.607 C | 2.825% | 03/01/2026 | 100.000 | 664,389.00 | 4.250 |
| | 03/01/2031 | 2,840,000.00 | 5.000% | 2.260% | 123.816 C | 2.989% | 03/01/2026 | 100.000 | 676,374.40 | 4.250 |
| | 03/01/2032 | 2,985,000.00 | 5.000% | 2.320% | 123.226 C | 3.120% | 03/01/2026 | 100.000 | 693,296.10 | 4.250 |
| | 03/01/2033 | 3,135,000.00 | 5.000% | 2.380% | 122.639 C | 3.237% | 03/01/2026 | 100.000 | 709,732.65 | 4.250 |
| | 03/01/2034 | 3,300,000.00 | 5.000% | 2.440% | 122.056 C | 3.341% | 03/01/2026 | 100.000 | 727,848.00 | 4.250 |
| | 03/01/2035 | 3,470,000.00 | 5.000% | 2.500% | 121.476 C | 3.436% | 03/01/2026 | 100.000 | 745,217.20 | 4.250 |
| | 03/01/2036 | 3,645,000.00 | 5.000% | 2.560% | 120.900 C | 3.521% | 03/01/2026 | 100.000 | 761,805.00 | 4.250 |
| | | <u>75,340,000.00</u> | | | | | | | <u>16,623,888.40</u> | |
| 2016B Serial Bonds: | | | | | | | | | | |
| | 03/01/2017 | 1,525,000.00 | 2.000% | 0.640% | 100.993 | | | | 15,143.25 | |
| | 03/01/2018 | 1,580,000.00 | 5.000% | 0.780% | 107.250 | | | | 114,550.00 | 2.500 |
| | 03/01/2019 | 4,475,000.00 | 5.000% | 0.900% | 111.044 | | | | 494,219.00 | 2.500 |
| | 03/01/2020 | 4,710,000.00 | 5.000% | 1.040% | 114.462 | | | | 681,160.20 | 2.500 |
| | 03/01/2021 | 4,950,000.00 | 5.000% | 1.160% | 117.634 | | | | 872,883.00 | 2.500 |
| | 03/01/2022 | 5,200,000.00 | 5.000% | 1.290% | 120.437 | | | | 1,062,724.00 | 3.750 |
| | 03/01/2023 | 5,465,000.00 | 5.000% | 1.430% | 122.837 | | | | 1,248,042.05 | 3.750 |
| | 03/01/2024 | 5,750,000.00 | 5.000% | 1.560% | 124.966 | | | | 1,435,545.00 | 3.750 |
| | 03/01/2025 | 6,040,000.00 | 5.000% | 1.710% | 126.582 | | | | 1,605,552.80 | 3.750 |
| | 03/01/2026 | 6,355,000.00 | 5.000% | 1.850% | 127.937 | | | | 1,775,396.35 | 3.750 |
| | 03/01/2027 | 6,680,000.00 | 5.000% | 2.000% | 126.411 C | 2.221% | 03/01/2026 | 100.000 | 1,764,254.80 | 4.250 |
| | 03/01/2028 | 7,020,000.00 | 5.000% | 2.080% | 125.605 C | 2.472% | 03/01/2026 | 100.000 | 1,797,471.00 | 4.250 |
| | 03/01/2029 | 7,340,000.00 | 4.000% | 2.340% | 114.371 C | 2.662% | 03/01/2026 | 100.000 | 1,054,831.40 | 4.250 |
| | 03/01/2030 | 7,640,000.00 | 4.000% | 2.450% | 113.347 C | 2.821% | 03/01/2026 | 100.000 | 1,019,710.80 | 4.250 |
| | 03/01/2031 | 2,950,000.00 | 4.000% | 2.510% | 112.793 C | 2.925% | 03/01/2026 | 100.000 | 377,393.50 | 4.250 |
| | 03/01/2032 | 3,070,000.00 | 4.000% | 2.570% | 112.242 C | 3.017% | 03/01/2026 | 100.000 | 375,829.40 | 4.250 |
| | 03/01/2033 | 3,215,000.00 | 5.000% | 2.380% | 122.639 C | 3.237% | 03/01/2026 | 100.000 | 727,843.85 | 4.250 |
| | 03/01/2034 | 3,345,000.00 | 3.000% | 2.900% | 100.840 C | 2.939% | 03/01/2026 | 100.000 | 28,098.00 | 4.250 |
| | 03/01/2035 | 3,475,000.00 | 4.500% | 2.680% | 115.498 C | 3.377% | 03/01/2026 | 100.000 | 538,555.50 | 4.250 |
| | 03/01/2036 | 3,635,000.00 | 4.500% | 2.740% | 114.943 C | 3.449% | 03/01/2026 | 100.000 | 543,178.05 | 4.250 |
| | | <u>94,420,000.00</u> | | | | | | | <u>17,532,381.95</u> | |
| | | 169,760,000.00 | | | | | | | 34,156,270.35 | |

| | | |
|------------------------|----------------|-------------|
| Dated Date | 06/01/2016 | |
| Delivery Date | 06/07/2016 | |
| First Coupon | 09/01/2016 | |
| Par Amount | 169,760,000.00 | |
| Premium | 34,156,270.35 | |
| Production | 203,916,270.35 | 120.120329% |
| Underwriter's Discount | (804,344.86) | (0.473813%) |
| Purchase Price | 203,111,925.49 | 119.646516% |
| Accrued Interest | 134,784.18 | |
| Net Proceeds | 203,246,709.67 | |

BOND DEBT SERVICE BREAKDOWN

Fort Bend County, Texas
Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B
FINAL NUMBERS

| Date | Unlimited Tax Road and Refunding Bonds, Series 2016A | Limited Tax and Refunding Bonds, Series 2016B | Total | Annual Total |
|------------|---|---|----------------|-----------------|
| 09/01/2016 | 931,062.50 | 1,090,700.00 | 2,021,762.50 | 2,021,762.50 |
| 03/01/2017 | 3,287,125.00 | 3,706,400.00 | 6,993,525.00 | |
| 09/01/2017 | 1,847,875.00 | 2,166,150.00 | 4,014,025.00 | 11,007,550.00 |
| 03/01/2018 | 3,327,875.00 | 3,746,150.00 | 7,074,025.00 | |
| 09/01/2018 | 1,810,875.00 | 2,126,650.00 | 3,937,525.00 | 11,011,550.00 |
| 03/01/2019 | 5,325,875.00 | 6,601,650.00 | 11,927,525.00 | |
| 09/01/2019 | 1,723,000.00 | 2,014,775.00 | 3,737,775.00 | 15,665,300.00 |
| 03/01/2020 | 5,428,000.00 | 6,724,775.00 | 12,152,775.00 | |
| 09/01/2020 | 1,630,375.00 | 1,897,025.00 | 3,527,400.00 | 15,680,175.00 |
| 03/01/2021 | 5,520,375.00 | 6,847,025.00 | 12,367,400.00 | |
| 09/01/2021 | 1,533,125.00 | 1,773,275.00 | 3,306,400.00 | 15,673,800.00 |
| 03/01/2022 | 5,628,125.00 | 6,973,275.00 | 12,601,400.00 | |
| 09/01/2022 | 1,430,750.00 | 1,643,275.00 | 3,074,025.00 | 15,675,425.00 |
| 03/01/2023 | 5,730,750.00 | 7,108,275.00 | 12,839,025.00 | |
| 09/01/2023 | 1,323,250.00 | 1,506,650.00 | 2,829,900.00 | 15,668,925.00 |
| 03/01/2024 | 5,843,250.00 | 7,256,650.00 | 13,099,900.00 | |
| 09/01/2024 | 1,210,250.00 | 1,362,900.00 | 2,573,150.00 | 15,673,050.00 |
| 03/01/2025 | 5,965,250.00 | 7,402,900.00 | 13,368,150.00 | |
| 09/01/2025 | 1,091,375.00 | 1,211,900.00 | 2,303,275.00 | 15,671,425.00 |
| 03/01/2026 | 6,091,375.00 | 7,566,900.00 | 13,658,275.00 | |
| 09/01/2026 | 966,375.00 | 1,053,025.00 | 2,019,400.00 | 15,677,675.00 |
| 03/01/2027 | 6,221,375.00 | 7,733,025.00 | 13,954,400.00 | |
| 09/01/2027 | 835,000.00 | 886,025.00 | 1,721,025.00 | 15,675,425.00 |
| 03/01/2028 | 6,355,000.00 | 7,906,025.00 | 14,261,025.00 | |
| 09/01/2028 | 697,000.00 | 710,525.00 | 1,407,525.00 | 15,668,550.00 |
| 03/01/2029 | 6,502,000.00 | 8,050,525.00 | 14,552,525.00 | |
| 09/01/2029 | 551,875.00 | 563,725.00 | 1,115,600.00 | 15,668,125.00 |
| 03/01/2030 | 3,251,875.00 | 8,203,725.00 | 11,455,600.00 | |
| 09/01/2030 | 484,375.00 | 410,925.00 | 895,300.00 | 12,350,900.00 |
| 03/01/2031 | 3,324,375.00 | 3,360,925.00 | 6,685,300.00 | |
| 09/01/2031 | 413,375.00 | 351,925.00 | 765,300.00 | 7,450,600.00 |
| 03/01/2032 | 3,398,375.00 | 3,421,925.00 | 6,820,300.00 | |
| 09/01/2032 | 338,750.00 | 290,525.00 | 629,275.00 | 7,449,575.00 |
| 03/01/2033 | 3,473,750.00 | 3,505,525.00 | 6,979,275.00 | |
| 09/01/2033 | 260,375.00 | 210,150.00 | 470,525.00 | 7,449,800.00 |
| 03/01/2034 | 3,560,375.00 | 3,555,150.00 | 7,115,525.00 | |
| 09/01/2034 | 177,875.00 | 159,975.00 | 337,850.00 | 7,453,375.00 |
| 03/01/2035 | 3,647,875.00 | 3,634,975.00 | 7,282,850.00 | |
| 09/01/2035 | 91,125.00 | 81,787.50 | 172,912.50 | 7,455,762.50 |
| 03/01/2036 | 3,736,125.00 | 3,716,787.50 | 7,452,912.50 | 7,452,912.50 |
| | 114,967,187.50 | 138,534,475.00 | 253,501,662.50 | 253,501,662.50 |

BOND SUMMARY STATISTICS

Fort Bend County, Texas
Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B
FINAL NUMBERS

| | |
|-----------------------------------|----------------|
| Dated Date | 06/01/2016 |
| Delivery Date | 06/07/2016 |
| First Coupon | 09/01/2016 |
| Last Maturity | 03/01/2036 |
| Arbitrage Yield | 2.020813% |
| True Interest Cost (TIC) | 2.523702% |
| Net Interest Cost (NIC) | 2.844138% |
| All-In TIC | 2.550980% |
| Average Coupon | 4.726614% |
| Average Life (years) | 10.420 |
| Weighted Average Maturity (years) | 10.455 |
| Duration of Issue (years) | 8.494 |
| Par Amount | 169,760,000.00 |
| Bond Proceeds | 204,051,054.53 |
| Total Interest | 83,741,662.50 |
| Net Interest | 50,389,737.01 |
| Total Debt Service | 253,501,662.50 |
| Maximum Annual Debt Service | 15,680,175.00 |
| Average Annual Debt Service | 12,839,537.75 |
| Underwriter's Fees (per \$1000) | |
| Average Takedown | 3.732733 |
| Other Fee | 1.005397 |
| Total Underwriter's Discount | 4.738129 |
| Bid Price | 119.646516 |

| Bond Component | Par Value | Price | Average Coupon | Average Life | Duration | PV of 1 bp change |
|--------------------|----------------|---------|----------------|--------------|----------|-------------------|
| 2016A Serial Bonds | 75,340,000.00 | 122.065 | 4.996% | 10.511 | 7.035 | 61,819.25 |
| 2016B Serial Bonds | 94,420,000.00 | 118.569 | 4.508% | 10.347 | 9.353 | 75,758.60 |
| | 169,760,000.00 | | | 10.420 | | 137,577.85 |

| | TIC | All-In TIC | Arbitrage Yield |
|----------------------------|----------------|----------------|-----------------|
| Par Value | 169,760,000.00 | 169,760,000.00 | 169,760,000.00 |
| + Accrued Interest | | 134,784.18 | 134,784.18 |
| + Premium (Discount) | 34,156,270.35 | 34,156,270.35 | 34,156,270.35 |
| - Underwriter's Discount | (804,344.86) | (804,344.86) | |
| - Cost of Issuance Expense | | (513,880.00) | |
| - Other Amounts | | | |
| Target Value | 203,111,925.49 | 202,732,829.67 | 204,051,054.53 |
| Target Date | 06/01/2016 | 06/07/2016 | 06/07/2016 |
| Yield | 2.523702% | 2.550980% | 2.020813% |

SUMMARY OF REFUNDING RESULTS

Fort Bend County, Texas
Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B
FINAL NUMBERS

| | |
|---|---------------|
| Dated Date | 06/01/2016 |
| Delivery Date | 06/07/2016 |
| Arbitrage yield | 2.020813% |
| Escrow yield | 0.757756% |
| Value of Negative Arbitrage | 1,850,370.82 |
| Bond Par Amount | 73,120,000.00 |
| True Interest Cost | 2.089554% |
| Net Interest Cost | 2.355076% |
| All-In TIC | 2.119750% |
| Average Coupon | 4.801533% |
| Average Life | 8.591 |
| Weighted Average Maturity | 8.643 |
| Par amount of refunded bonds | 82,360,000.00 |
| Average coupon of refunded bonds | 5.083166% |
| Average life of refunded bonds | 8.599 |
| Remaining weighted average maturity of refunded bonds | 8.599 |
| PV of prior debt to 06/07/2016 @ 2.550980% | 99,221,264.91 |
| Net PV Savings | 12,368,752.57 |
| Percentage savings of refunded bonds | 15.017912% |

SAVINGS

Fort Bend County, Texas
Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B
FINAL NUMBERS

| Date | Prior Debt Service | Prior Receipts | Prior Net Cash Flow | Refunding Debt Service | Refunding Receipts | Refunding Net Cash Flow | Savings | Present Value to 06/07/2016 @ 2.5509800% |
|------------|--------------------|----------------|---------------------|------------------------|--------------------|-------------------------|---------------|--|
| 09/30/2016 | 2,079,256.25 | 1,248,169.59 | 831,086.66 | 890,450.00 | 59,363.34 | 831,086.66 | | (7,010.62) |
| 09/30/2017 | 4,158,512.50 | | 4,158,512.50 | 3,561,800.00 | | 3,561,800.00 | 596,712.50 | 582,034.37 |
| 09/30/2018 | 4,158,512.50 | | 4,158,512.50 | 3,561,800.00 | | 3,561,800.00 | 596,712.50 | 567,466.10 |
| 09/30/2019 | 9,404,012.50 | | 9,404,012.50 | 8,212,550.00 | | 8,212,550.00 | 1,191,462.50 | 1,108,379.07 |
| 09/30/2020 | 9,406,012.50 | | 9,406,012.50 | 8,227,550.00 | | 8,227,550.00 | 1,178,462.50 | 1,068,899.07 |
| 09/30/2021 | 9,404,818.75 | | 9,404,818.75 | 8,224,675.00 | | 8,224,675.00 | 1,180,143.75 | 1,043,865.54 |
| 09/30/2022 | 9,406,000.00 | | 9,406,000.00 | 8,223,675.00 | | 8,223,675.00 | 1,182,325.00 | 1,019,811.75 |
| 09/30/2023 | 9,400,875.00 | | 9,400,875.00 | 8,214,050.00 | | 8,214,050.00 | 1,186,825.00 | 998,273.65 |
| 09/30/2024 | 9,404,375.00 | | 9,404,375.00 | 8,219,925.00 | | 8,219,925.00 | 1,184,450.00 | 971,532.72 |
| 09/30/2025 | 9,403,018.75 | | 9,403,018.75 | 8,220,300.00 | | 8,220,300.00 | 1,182,718.75 | 945,955.13 |
| 09/30/2026 | 9,408,100.00 | | 9,408,100.00 | 8,229,300.00 | | 8,229,300.00 | 1,178,800.00 | 919,474.96 |
| 09/30/2027 | 9,400,806.25 | | 9,400,806.25 | 8,221,300.00 | | 8,221,300.00 | 1,179,506.25 | 897,267.07 |
| 09/30/2028 | 9,402,400.00 | | 9,402,400.00 | 8,215,800.00 | | 8,215,800.00 | 1,186,600.00 | 880,357.22 |
| 09/30/2029 | 9,401,593.75 | | 9,401,593.75 | 8,215,375.00 | | 8,215,375.00 | 1,186,218.75 | 858,551.64 |
| 09/30/2030 | 5,628,981.25 | | 5,628,981.25 | 4,901,100.00 | | 4,901,100.00 | 727,881.25 | 513,894.89 |
| | 119,467,275.00 | 1,248,169.59 | 118,219,105.41 | 103,339,650.00 | 59,363.34 | 103,280,286.66 | 14,938,818.75 | 12,368,752.56 |

Savings Summary

| | |
|------------------------------|---------------|
| PV of savings from cash flow | 12,368,752.56 |
| Net PV Savings | 12,368,752.56 |

List of Underwriters

UNDERWRITING SYNDICATE

Fort Bend County, Texas
Unlimited Tax Road and Refunding Bonds, Series 2016A
Limited Tax and Refunding Bonds, Series 2016B

| | |
|----------------------------|----------------|
| Loop Capital Markets LLC | Senior Manager |
| J.P. Morgan Securities LLC | Co-Manager |
| Jefferies LLC | Co-Manager |
| Wells Fargo Securities | Co-Manager |

Rating Reports

CREDIT OPINION

22 April 2016

New Issue

Rate this Research >>

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Fort Bend County, TX

New Issue - Moody's Assigns Aa1 to Fort Bend County's, TX, \$82.2M Unlimited Tax & \$94.2M Limited Tax Bonds Ser. 2016A&B

Summary Rating Rationale

Moody's Investors Service has assigned a Aa1 underlying rating to Fort Bend County's, TX, \$82.2 million Unlimited Tax Road and Refunding Bonds, Series 2016A and \$94.2 million Limited Tax and Refunding Bonds, Series 2016B. At the same time we have affirmed the Aa1 rating on parity limited and unlimited tax debt outstanding.

The Aa1 rating reflects the county's large and diverse tax base that benefits from a growing population, ongoing residential development, and improved transportation corridors. The rating also takes into consideration a history of stable financial performance, maintenance of healthy reserve levels, and a manageable debt and pension profile.

Credit Strengths

- » Significantly large and diverse tax base that continues to grow
- » Stable financial performance with healthy reserves
- » Adherence to formal reserve policy

Credit Challenges

- » Above average debt profile
- » Plans for additional borrowing

Rating Outlook

Moody's does not usually assign outlooks to local government credits with this amount of debt outstanding.

Factors that Could Lead to an Upgrade

- » Sustained trend of surplus operations that grow fiscal reserves and liquidity
- » Significant decline in debt profile

Factors that Could Lead to a Downgrade

- » Poor financial performance leading to a decline in reserve levels

- » Trend of significant declines in taxable values
- » Significant increase in debt profile without corresponding tax base growth

Key Indicators

Exhibit 1

| Fort Bend (County of) TX | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|
| Economy/Tax Base | | | | | |
| Total Full Value (\$000) | \$ 37,368,044 | \$ 38,034,487 | \$ 39,439,947 | \$ 41,977,668 | \$ 45,720,921 |
| Full Value Per Capita | \$ 61,584 | \$ 62,682 | \$ 61,299 | \$ 65,243 | \$ 66,712 |
| Median Family Income (% of US Median) | 140.4% | 130.4% | 130.4% | 130.4% | 130.4% |
| Finances | | | | | |
| Operating Revenue (\$000) | \$ 253,253 | \$ 251,067 | \$ 268,778 | \$ 288,813 | \$ 308,218 |
| Fund Balance as a % of Revenues | 19.4% | 15.8% | 14.3% | 13.7% | 15.6% |
| Cash Balance as a % of Revenues | 22.4% | 20.5% | 18.1% | 17.5% | 19.9% |
| Debt/Pensions | | | | | |
| Net Direct Debt (\$000) | \$ 452,755 | \$ 516,665 | \$ 499,135 | \$ 606,122 | \$ 688,385 |
| Net Direct Debt / Operating Revenues (x) | 1.8x | 2.1x | 1.9x | 2.1x | 2.2x |
| Net Direct Debt / Full Value (%) | 1.2% | 1.4% | 1.3% | 1.4% | 1.5% |
| Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x) | N/A | 0.7x | 0.8x | 0.9x | 1.0x |
| Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%) | N/A | 0.5% | 0.6% | 0.6% | 0.7% |

Source: Audited Financial Statements and Moody's Investors Service

Detailed Rating Considerations

Economy and Tax Base: Large Diverse Tax Base Benefits from Growing Population, Home Construction, and Transportation Development

The county's significantly large and diverse tax base is a particular credit positive given the diversity in the county's tax base has helped offset weaknesses in oil and gas sector employment. Accelerated growth has also benefitted the county in recent years. Following a -2.7% year-over-year decline in full valuation in fiscal 2011, the county's taxable value growth has accelerated to positive double-digit growth. The county's taxable value growth has averaged a solid 7.5% annually from fiscal 2011 to 2016. For fiscal 2016 the county's significantly large full value of \$53.53 billion reflected 17.1% growth over the previous year. The county recorded over \$10 billion in growth in single-family residential properties from the previous year which was the main driver behind the overall growth. The county's top taxpayers make up a modest 3.6% of the county's total tax base and include shopping malls, utilities, and several businesses related to the oil and gas sector. County officials note they have experienced some loss in employment due to the downturn in the oil and gas sector yet gains in other sectors such as healthcare and engineering have somewhat offset those losses. Oil, gas, and other mineral values only make up 0.19% of the county's total tax base. The county remains an attractive area for individuals to live especially as transportation corridors such as the Grand Parkway have developed and opened for operations.

Historically the socioeconomic profile of the county has remained above state and national trends. The American Community Survey data indicates favorable wealth levels, evidenced by a per capita income and median family income of 122.7% and 130.4% of national levels, respectively. The current population estimate for the county is 685,345. Unemployment rate in the county grew from 3.8% in December 2014 to 4.4% in December 2015. The county's labor force also grew 8843 during the year.

Financial Operations and Reserves: Stable Financial Performance and Reserves Maintained

We anticipate the solid financial performance of the county will continue in the near-term. Strong fiscal performance was needed in 2015 so the county's reserve position could keep pace with a growing budget and demand for services. In fiscal 2015 General Fund revenues of \$253.9 million outpaced expenditures by \$8.4 million (including transfers in and out of the Fund), which increased the

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county's total General Fund balance to \$45.93 million or 18.1% of General Fund revenues. The County maintained its reserve position above its formal reserve policy of a minimum of 15% of expenditures. The vast majority of the county's General Fund revenues in 2015 were derived from property taxes (73% of total General Fund revenues). The county's maintenance and operations tax levy is \$3.73 per \$1,000 of assessed valuation. County officials anticipate the total tax rate will come down modestly as the county's total tax base continues to grow.

Through the first six months of fiscal 2016 the county's financial performance remains strong. Revenues are being collected slightly above budget (102%) and expenditures are coming in slightly below budget (97%). In 2016 the county is on target to realize a \$6 million operating surplus in the General Fund at year's end

LIQUIDITY

Cash in the General Fund totaled a healthy \$49.7 million (19.5% of General Fund revenues) at fiscal year-end 2015. We do not anticipate stable liquidity will continue in the near-term, given strong year-to-date financial projections.

Debt and Pensions: Above Average Yet Manageable Debt Profile

DEBT STRUCTURE

The county's direct debt burden is above average yet manageable at 1.3% and reflective of rapid growth that has occurred in the county over the last 10 years. Post-sale the county will have roughly \$684 million in combined limited and unlimited tax debt outstanding. When considering a significantly large amount of smaller local governments that are located in the county, the overlapping debt burden jumps to a high 12.1%. The county does anticipate various issuances of debt over the next several years mainly for transportation development.

DEBT-RELATED DERIVATIVES

The county has no variable rate debt and is not party to any interest rate swaps or other derivative agreements.

PENSIONS AND OPEB

The county provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The county has consistently fully funded its annual pension costs. For the year ended September 30, 2015, the county recognized pension expense of \$11.95 million or 4.7% of General Fund revenues. We believe the county's pension burden remains manageable. Moody's fiscal 2015 adjusted net pension liability (ANPL) for the county, under our methodology for adjusting reported pension data, is \$395.9 million. The three-year average ANPL to operating revenues ratio is a manageable 1.0 times. The three-year average ANPL to full value ratio is a modest 0.7%. 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. For more information on Moody's insights on employee pensions and the related credit impact on companies, governments, and other entities across the globe please visit Moody's on Pensions at www.moody.com/pensions.

The county currently provides healthcare benefits to retirees. Funding of these benefits continues to be done on a pay-as-you-go basis. The county's OPEB costs in fiscal 2015 were \$36.98 million, of which the county contributed \$5.47 million or 14.8%. The net OPEB obligation of the county rose to \$221.2 million in 2015 from \$189.7 million in the previous year.

Management and Governance

Texas counties have an institutional framework score of "Aaa," or very strong. Counties rely on highly predictable, property taxes for 70%-80% of their operating revenues, while 10%-20% comes from less predictable services charges. Counties maintain high flexibility to raise property taxes, as most are well below the state mandated cap of \$8 per \$1,000 of AV, with no more than \$4 for debt. Expenditures primarily consist of personnel and judicial costs, which are highly predictable. Counties have high flexibility in reducing expenditures given a limited union presence.

Legal Security

The Series 2016A Bonds constitute direct obligations of the county, 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 Series 2016B Bonds constitute direct obligations of the county, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the county.

Use of Proceeds

Proceeds from the sale of the Series 2016A Bonds will be used for the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes, as well as to advance refund and defease certain obligations of the county for a projected net present value savings.

Proceeds from the sale of the Series 2016B Bonds will be used for county parks and community center facilities, for buildings, parking and other improvements at the county fairgrounds, for county library facilities, for construction, acquisition and improvements to county facilities, including administration of justice and public safety facilities, to advance refund and defease certain obligations of the county for a projected net present value savings.

Obligor Profile

Fort Bend County is a political subdivision of the State of Texas located in southeast Texas. The County covers approximately 886 square miles and is located in the greater Houston metropolitan area. The current population estimate for the county is 685,345.

Methodology

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

Ratings

Exhibit 2

Fort Bend (County of) TX

| Issue | Rating |
|--|-----------------------------------|
| Unlimited Tax Road and Refunding Bonds, Series 2016A | Aa1 |
| Rating Type | Underlying LT |
| Sale Amount | \$82,210,000 |
| Expected Sale Date | 05/09/2016 |
| Rating Description | General Obligation |
| Limited Tax and Refunding Bonds, Series 2016B | Aa1 |
| Rating Type | Underlying LT |
| Sale Amount | \$94,215,000 |
| Expected Sale Date | 05/09/2016 |
| Rating Description | General Obligation Limited Tax |

Source: Moody's Investors Service

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FITCH RATES FORT BEND COUNTY, TX GOS 'AA+'; OUTLOOK STABLE

Fitch Ratings-Austin-25 April 2016: Fitch Ratings has assigned an 'AA+' rating to the following Fort Bend County, TX bonds:

- \$77.9 million unlimited tax road and refunding bonds, series 2016A;
- \$94.3 million limited tax and refunding bonds, series 2016B.

The bonds are scheduled for negotiated sale during the week of April 25. Bond proceeds will be used to finance mobility projects and various facility improvements, and to refund outstanding debt for interest costs savings.

In addition, Fitch affirms the following ratings:

- \$132.1 million unlimited tax road bonds (pre-refunding) at 'AA+';
- \$112.6 million unlimited tax toll road bonds at 'AA+';
- \$104 million limited tax bonds (pre-refunding) at 'AA+';
- \$155.1 million contract tax and subordinate lien toll revenue bonds (issued by the Fort Bend Grand Parkway Toll Road Authority) at 'AA+'.

Fitch has also affirmed the county's Issuer Default Rating of 'AA+'(IDR) based on the application of Fitch's revised criteria for U.S., state, and local government credits, which was released on April 18, 2016.

The Rating Outlook is Stable.

SECURITY

The unlimited tax bonds are payable from an unlimited property tax levy. The limited tax bonds are payable from a property tax levy limited to \$0.80 per \$100 AV for general operations and limited tax bond debt service. The limited contract tax and subordinate lien toll revenue bonds (issued by the Fort Bend Grand Parkway Toll Road Authority) are payable from payments received from the county pursuant to a joint project agreement and a subordinate lien on toll revenues.

KEY RATING DRIVERS

The 'AA+' rating reflects the county's prudent management and ample revenue and expenditure flexibility, which should allow it to maintain healthy reserve levels throughout economic cycles. Despite growth pressures to fund the county's mobility needs and general capital improvements, the long-term liability burden should remain manageable. Carrying costs are moderate and the pension's assets to liabilities are favorable.

Economic Resource Base

The county is a rapidly growing part of the Houston MSA. Sugarland (GOs rated 'AAA') is the largest city within the county. Major employment sectors include engineering, oil services and exploration, education, manufacturing, and healthcare. Large residential developments in the unincorporated areas of the county and commercial projects throughout the county are fueling steady tax base gains. Easy access to Houston's employment base and the county's own growing economy has helped mitigate the impact of energy sector contraction. Much of the population gains have occurred within large master-planned communities. Wealth levels are above average.

Revenue Framework: 'aaa' factor assessment

Property tax revenues are likely to continue a favorable trajectory due to ongoing rapid expansion of the residential and commercial sectors despite the contraction of the energy sector. Ample property tax rate margin remains under the county's \$0.80 limit for operations and debt service.

Expenditure Framework: 'aa' factor assessment

The county's solid expenditure flexibility is derived from management's prudent budgeting practices, absence of labor contracts, and moderate carrying costs. These factors help offset spending pressure to provide basic services, typically provided by cities, to unincorporated areas of the county where most population gains are taking place.

Long-Term Liability Burden: 'aa' factor assessment

Debt financed capital needs, fueled by rapid population growth, may cause an increase in the liability burden but Fitch expects it to remain manageable. The county's unfunded pension liability is low and consistent funding of pensions at actuarially determined levels should keep it at this level.

Operating Performance: 'aaa' factor assessment

The combination of the county's expenditure cutting flexibility, revenue raising authority, and solid reserve levels leaves it well positioned to address cyclical downturns. The county has demonstrated a commitment to prudent fiscal practices.

RATING SENSITIVITIES

Economic Resiliency: Sustained stagnation or reversal of the county's economic trends, due to continued contraction of the energy sector, could result in negative rating pressure.

CREDIT PROFILE

Fort Bend continues to benefit from growth, which it is managing prudently. A solid one-third of the 17% AV gain posted in fiscal 2016 is attributed to new construction. The fiscal 2016 budget is projected to add \$6 million to fund balance due to a planned decline in pay-go capital outlays. Several overlapping county assistance districts were approved by voters to impose a 1% sales tax (for 22 years) to fund infrastructure improvements, public safety and other services, tourism and economic development. Management plans to leverage these revenues for mobility projects through inter-local agreements.

Revenue Framework

The county relies on property taxes for the bulk of its revenues. Steady and healthy tax base gains (except for a single year of modest recessionary AV losses in fiscal 2012) have allowed the county to post general fund revenue gains well above U.S. GDP and CPI growth averages over the last 10 years. Currently positive trends in AV may level off in the medium term if the energy sector does not stabilize.

Taxing margin underneath the \$0.80 per \$100 AV cap for O&M and debt service is ample given the current rate of \$0.43.

Expenditure Framework

Public safety and administration of justice comprise about half of general fund spending.

The pace of spending is likely to remain in line with revenue growth. Growing costs for basic services in unincorporated areas of the county should be more than offset by a planned reduction in annual pay-go capital outlays.

Solid expenditure flexibility is derived by management's full control over headcount, lack of collective bargaining agreements, and moderate carrying costs (14.4% of spending).

Long-Term Liability Burden

The county issues voter-approved debt primarily for mobility projects and facility improvements. Pensions are provided through the Texas County and District Retirement System, a multiple employer agent defined benefit plan, and the unfunded liability totals less than 1% of personal income.

Fitch expects the county's debt burden to remain elevated but affordable despite the capital pressures of a rapidly growing area. The combined burden of debt and pensions, at 17% of personal income, is a moderate burden on resources.

Operating Performance

The county's exceptional financial resilience comes from its inherent budget flexibility, in the form of strong control over revenues and spending, and its explicit reserves. The county has maintained reserves at high levels (18.5% of spending at fiscal 2015 year-end), and Fitch expects it to maintain a solid financial position throughout an economic downturn.

Large annual pay-go capital outlays served as a source of flexibility during the most recent period of economic recovery.

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Applicable Criteria

U.S. Tax-Supported Rating Criteria (pub. 18 Apr 2016)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=879478

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