Pricing Book

Combination Tax & Revenue Certificates of Obligation, Series 2017A

Fort Bend County, Texas

July 18, 2017

Fort Bend County, Texas

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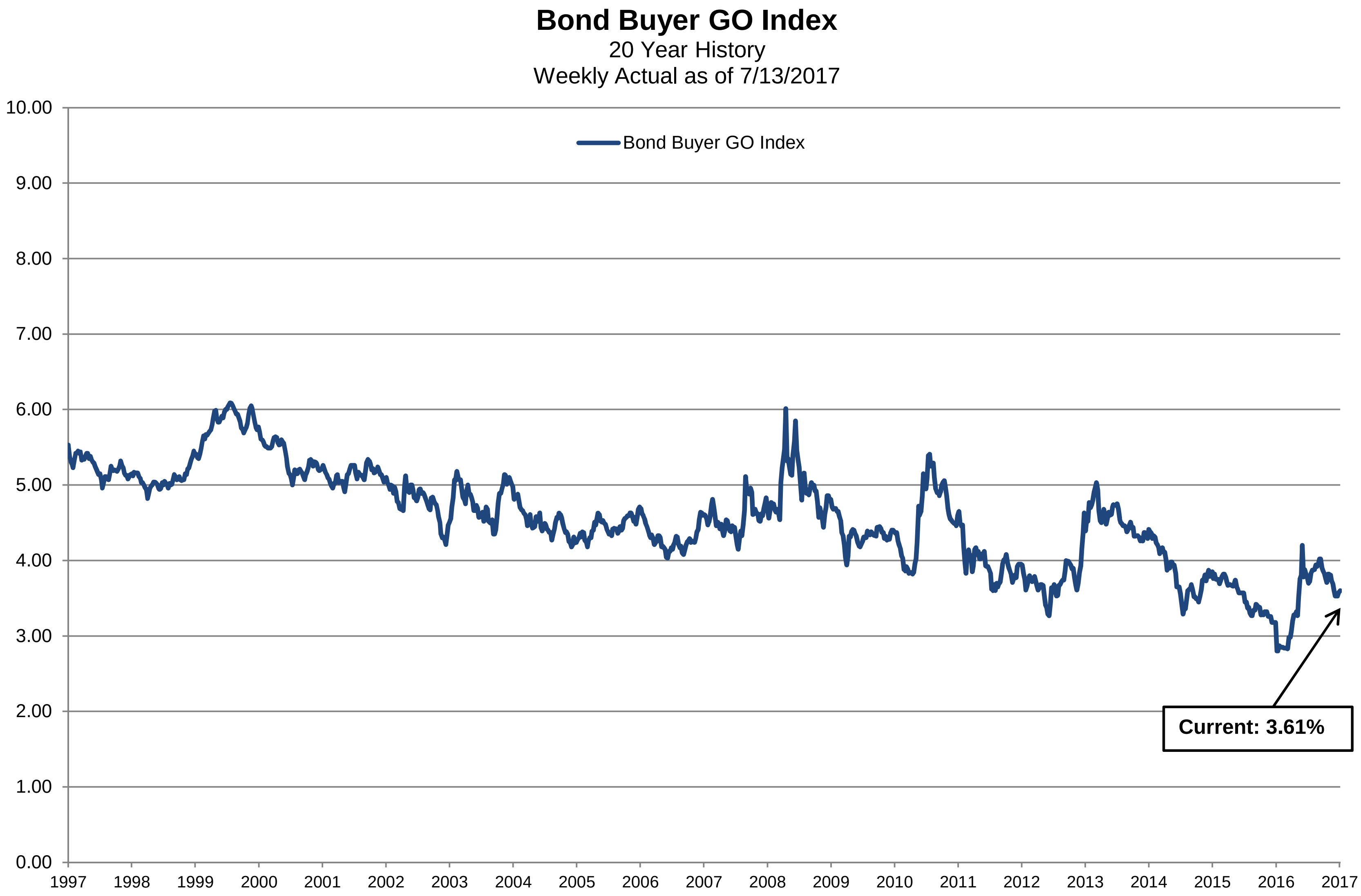
Table of Contents



This graph depicts historical interest rates and their respective relationships. Future interest rates are dependent upon many factors such as, but not limited to, interest rate trends, tax rates, the supply and demand of short term securities, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of changes in such factors individually or in any combination could materially affect the relationships and effective interest rates. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the short term market or no market may exist at all.

SOURCES AND USES OF FUNDS

Fort Bend County, Texas
Combination Tax & Revenue Certificates of Obligation, Series 2017A
FINAL NUMBERS

Dated Date 08/16/2017
Delivery Date 08/16/2017

Sources:	
Bond Proceeds:	
Par Amount	47,550,000.00
Net Premium	7,965,901.10
	55,515,901.10

Uses:	
Project Fund Deposits:	
Project Fund	55,000,000.00
Delivery Date Expenses:	
Cost of Issuance	262,050.00
Underwriter's Discount	251,217.92
	513,267.92
Other Uses of Funds:	
Rounding Amount	2,633.18
	55,515,901.10

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BONDPRICING

Fort Bend County, Texas
Combination Tax & Revenue Certificates of Obligation, Series 2017A
FINAL NUMBERS

Bond Component	Maturity Date	Amount	Rate	Yield	Price		Yield to Maturity	Call Date	Call Price	Premium (-Discount)	Takedown
Certificates of Obligation, Series 2017A, Serial Bonds:											
	03/01/2018	2,875,000.00	5.000%	0.900%	102.210					63,537.50	0.250
	03/01/2019	3,125,000.00	5.000%	1.060%	106.008					187,750.00	2.500
	03/01/2020	3,285,000.00	5.000%	1.190%	109.510					312,403.50	2.500
	03/01/2021	3,450,000.00	5.000%	1.320%	112.691					437,839.50	2.500
	03/01/2022	3,630,000.00	5.000%	1.450%	115.548					564,392.40	2.500
	03/01/2023	3,815,000.00	5.000%	1.580%	118.077					689,637.55	3.750
	03/01/2024	4,010,000.00	5.000%	1.740%	120.073					804,927.30	3.750
	03/01/2025	4,215,000.00	5.000%	1.890%	121.763					917,310.45	3.750
	03/01/2026	4,435,000.00	5.000%	2.070%	122.830					1,012,510.50	3.750
	03/01/2027	4,660,000.00	5.000%	2.260%	121.174	C	2.493%	03/01/2026	100.000	986,708.40	3.750
	03/01/2028	4,900,000.00	5.000%	2.370%	120.227	C	2.774%	03/01/2026	100.000	991,123.00	4.250
	03/01/2029	5,150,000.00	5.000%	2.470%	119.374	C	3.001%	03/01/2026	100.000	997,761.00	4.250
		47,550,000.00								7,965,901.10	

Dated Date	08/16/2017	
Delivery Date	08/16/2017	
First Coupon	03/01/2018	
Par Amount	47,550,000.00	
Premium	7,965,901.10	
Production	55,515,901.10	116.752684%
Underwriter's Discount	-251,217.92	-0.528324%
Purchase Price	55,264,683.18	116.224360%
Accrued Interest		
Net Proceeds	55,264,683.18	

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BOND DEBT SERVICE

Fort Bend County, Texas
Combination Tax & Revenue Certificates of Obligation, Series 2017A
FINAL NUMBERS

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
03/01/2018	2,875,000.00	1,287,812.50	4,162,812.50	
09/01/2018		1,116,875.00	1,116,875.00	
09/30/2018				5,279,687.50
03/01/2019	3,125,000.00	1,116,875.00	4,241,875.00	
09/01/2019		1,038,750.00	1,038,750.00	
09/30/2019				5,280,625.00
03/01/2020	3,285,000.00	1,038,750.00	4,323,750.00	
09/01/2020		956,625.00	956,625.00	
09/30/2020				5,280,375.00
03/01/2021	3,450,000.00	956,625.00	4,406,625.00	
09/01/2021		870,375.00	870,375.00	
09/30/2021				5,277,000.00
03/01/2022	3,630,000.00	870,375.00	4,500,375.00	
09/01/2022		779,625.00	779,625.00	
09/30/2022				5,280,000.00
03/01/2023	3,815,000.00	779,625.00	4,594,625.00	
09/01/2023		684,250.00	684,250.00	
09/30/2023				5,278,875.00
03/01/2024	4,010,000.00	684,250.00	4,694,250.00	
09/01/2024		584,000.00	584,000.00	
09/30/2024				5,278,250.00
03/01/2025	4,215,000.00	584,000.00	4,799,000.00	
09/01/2025		478,625.00	478,625.00	
09/30/2025				5,277,625.00
03/01/2026	4,435,000.00	478,625.00	4,913,625.00	
09/01/2026		367,750.00	367,750.00	
09/30/2026				5,281,375.00
03/01/2027	4,660,000.00	367,750.00	5,027,750.00	
09/01/2027		251,250.00	251,250.00	
09/30/2027				5,279,000.00
03/01/2028	4,900,000.00	251,250.00	5,151,250.00	
09/01/2028		128,750.00	128,750.00	
09/30/2028				5,280,000.00
03/01/2029	5,150,000.00	128,750.00	5,278,750.00	
09/30/2029				5,278,750.00
	47,550,000.00	15,801,562.50	63,351,562.50	63,351,562.50

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BOND SUMMARY STATISTICS

Fort Bend County, Texas
Combination Tax & Revenue Certificates of Obligation, Series 2017A
FINAL NUMBERS

Dated Date	08/16/2017
Delivery Date	08/16/2017
First Coupon	03/01/2018
Last Maturity	03/01/2029
Arbitrage Yield	1.996368%
True Interest Cost (TIC)	2.302673%
Net Interest Cost (NIC)	2.558886%
All-In TIC	2.385209%
Average Coupon	5.000000%
Average Life (years)	6.646
Duration of Issue (years)	5.831
Par Amount	47,550,000.00
Bond Proceeds	55,515,901.10
Total Interest	15,801,562.50
Net Interest	8,086,879.32
Total Debt Service	63,351,562.50
Maximum Annual Debt Service	5,281,375.00
Average Annual Debt Service	5,488,944.04
Underwriter's Fees (per $1000)	
Average Takedown	3.289432
Other Fee	1.993805
Total Underwriter's Discount	5.283237
Bid Price	116.224360

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	47,550,000.00	116.753	5.000%	6.646
	47,550,000.00			6.646

	TIC	All-In TIC	Arbitrage Yield
Par Value	47,550,000.00	47,550,000.00	47,550,000.00
+ Accrued Interest			
+ Premium (Discount)	7,965,901.10	7,965,901.10	7,965,901.10
- Underwriter's Discount	-251,217.92	-251,217.92	
- Cost of Issuance Expense		-262,050.00	
- Other Amounts			
Target Value	55,264,683.18	55,002,633.18	55,515,901.10
Target Date	08/16/2017	08/16/2017	08/16/2017
Yield	2.302673%	2.385209%	1.996368%

UNDERWRITING SYNDICATE

Fort Bend County, Texas
Combination Tax & Revenue Certificates of Obligation, Series 2017A

RBC Capital Markets	Senior Manager
Loop Capital Markets	Co-Manager
Rice Financial Products Company	Co-Manager

Fort Bend County, Texas

New Issue Report

Ratings

Long-Term Issuer Default Rating	AA+
New Issue	
$52,050,000 Combination Tax and Revenue Certificates of Obligation, Series 2017A	AA+
Outstanding Debt	
Limited Tax Bonds	AA+
Unlimited Tax Bonds	AA+
Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax and Subordinated Lien Toll Road Revenue Bonds	AA+

Related Research

Fitch Rates Fort Bend Co., TX $52.1MM COs 'AA+'; Outlook Stable (June 2017)

Analysts

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New Issue Summary

Sale Date: Week of July 17 via negotiated sale.

Series: $52,050,000 Combination Tax and Revenue Certificates of Obligation, Series 2017A.

Purpose: Roadway improvements.

Security: Limited ad valorem tax and a de minimis pledge of surplus net revenues of Fort Bend County's park system.

Analytical Conclusion

The 'AA+' rating reflects the county's prudent management practices and ample revenue and expenditure flexibility, which should allow it to maintain healthy reserve levels throughout economic cycles. Despite growth pressures and associated mobility-related and general capital needs, the long-term liability burden should remain manageable. Annual carrying costs (debt service and retiree benefit contributions) are moderate.

Key Rating Drivers

Economic Resource Base: Located southwest of the city of Houston, the county is a rapidly growing part of the metropolitan service area (MSA). Sugar Land (GOs rated 'AAA' with a Stable Rating Outlook) is the county's largest city. 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 continue to fuel steady tax base gains.

Easy access to Houston's employment base and the county's own growing economy have helped mitigate the impact of recent energy sector contraction.

Revenue Framework: 'aaa' factor assessment. Property tax revenues are the largest operating revenue source and are likely to continue a favorable trajectory due to ongoing expansion of the residential and commercial sectors. Ample property tax rate margin remains under the county's $0.80 constitutional 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 pressure to provide basic services, typically provided by cities, to unincorporated areas where most population gains are taking place.

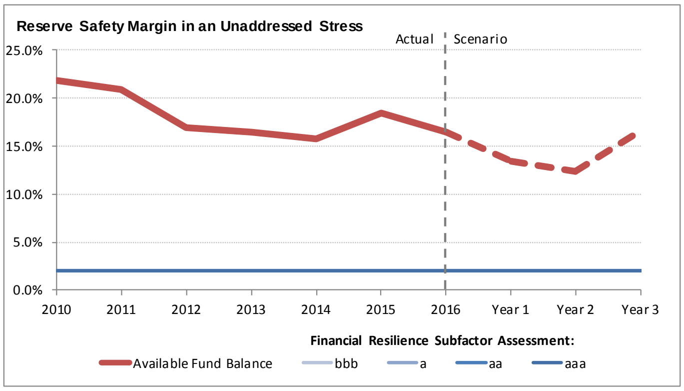
Long-Term Liability Burden: 'aa' factor assessment. Debt-financed capital needs, fueled by rapid population growth, may cause an increase in the liability burden but Fitch Ratings expects it will remain manageable. The county's unfunded pension liability is low and consistent funding at actuarially determined levels should keep it low.

Operating Performance: 'aaa' factor assessment. The combination of the county's expenditure flexibility, revenue-raising authority, and solid reserve levels leaves it well positioned to address challenges posed by periodic economic downturns. The county has consistently demonstrated a commitment to prudent fiscal management practices.

Fort Bend County (TX)

Scenario Analysis

v. 2.0 2017/03/24



Analyst Interpretation of Scenario Results:

The county's exceptional financial resilience is a function of its superior budget flexibility, in the form of notable legal control over tax revenues and expenditure control; its healthy operating reserves are another positive consideration in this assessment. The county has maintained unrestricted general fund reserves at sound levels (16.6% of spending at fiscal 2016 year-end) despite the recent energy sector downturn and its effect on several major county employers. This stability indicates the county is well positioned to weather typical economic cycles with little or no loss of financial strength.

Scenario Parameters:	Year 1	Year 2	Year 3
GDP Assumption (% Change)	(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)	2.0%	2.0%	2.0%
Revenue Output (% Change)	(1.0%)	4.0%	7.4%
Inherent Budget Flexibility	Superior		

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2010	2011	2012	2013	2014	2015	2016	Year 1	Year 2	Year 3
Total Revenues	201,339	205,874	203,341	218,453	234,571	253,986	281,635	278,819	289,913	311,448
% Change in Revenues	-	2.3%	(1.2%)	7.4%	7.4%	8.3%	10.9%	(1.0%)	4.0%	7.4%
Total Expenditures	189,160	201,491	203,350	207,559	220,396	232,816	267,358	272,706	278,160	283,723
% Change in Expenditures	-	6.5%	0.9%	2.1%	6.2%	5.6%	14.8%	2.0%	2.0%	2.0%
Transfers In and Other Sources	5,101	5,261	363	691	10	159	17	17	18	19
Transfers Out and Other Uses	8,463	8,965	8,386	10,205	14,067	12,920	13,539	13,810	14,086	14,368
Net Transfers	(3,362)	(3,704)	(8,023)	(9,514)	(14,057)	(12,761)	(13,522)	(13,793)	(14,069)	(14,349)
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus(+)/Deficit(-) After Transfers	8,817	679	(8,032)	1,380	118	8,410	754	(7,680)	(2,316)	13,376
Net Operating Surplus(+)/Deficit(-) (% of Expend. and Transfers Out)	4.5%	0.3%	(3.8%)	0.6%	0.1%	3.4%	0.3%	(2.7%)	(0.8%)	4.5%
Unrestricted/Unreserved Fund Balance (General Fund)	43,269	43,923	35,744	35,895	36,928	45,357	46,161	38,480	36,165	49,541
Other Available Funds (Analyst Input)	-	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Analyst Input)	43,269	43,923	35,744	35,895	36,928	45,357	46,161	38,480	36,165	49,541
Combined Available Fund Bal. (% of Expend. and Transfers Out)	21.9%	20.9%	16.9%	16.5%	15.8%	18.5%	16.4%	13.4%	12.4%	16.6%

Reserve Safety Margins	Inherent Budget Flexibility				
	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	16.0%	8.0%	5.0%	3.0%	2.0%
Reserve Safety Margin (aa)	12.0%	6.0%	4.0%	2.5%	2.0%
Reserve Safety Margin (a)	8.0%	4.0%	2.5%	2.0%	2.0%
Reserve Safety Margin (bbb)	3.0%	2.0%	2.0%	2.0%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's downturn scenario assumes a -1.0% GDP decline in the first year, followed by 0.5% and 2.0% GDP growth in Years 2 and 3, respectively. Expenditures are assumed to grow at a 2.0% rate of inflation. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

Rating History

Rating	Action	Outlook/ Watch	Date
AA+	Affirmed	Stable	6/30/17
AA+	Assigned	Stable	3/28/12

Rating Sensitivities

Erosion of Financial Position: A delayed or ineffective response to weakening economic conditions and resulting deterioration of financial flexibility would weaken the county's credit profile and generate downward rating pressure.

Credit Profile

The diversity of the county's economy has enabled it to readily absorb the contraction of the energy sector that began in fall 2014. Schlumberger Technology Corp. and other firms involved in servicing the oil and gas sector have periodically announced layoffs and the unemployment rate has increased modestly, but trends in home-building, in-migration, and non-energy sector employment remain positive. The county has posted solid taxable assessed valuation (TAV) gains in each of the past four fiscal years, including a 9% increase in fiscal 2017 to nearly $58.4 billion. Recent and planned mobility improvement projects are facilitating faster access to the larger Houston MSA and within the county's own boundaries, which should encourage additional population and economic growth.

Revenue Framework

The county relies on property taxes for the bulk of its operating revenues; tax receipts comprised nearly 75% of the $281.6 million fiscal 2016 general fund revenues. Other material general fund revenue sources are fines and fees (13% of the fiscal 2016 total) and intergovernmental revenues (9.7%).

Steady and healthy tax base gains (except for a single modest recessionary taxable assessed valuation (TAV) loss in fiscal 2012) have contributed to the county's general fund revenue gains of more than 7% annually over the past 10 years, well above U.S. GDP and CPI growth averages over the same period. Fitch expects revenue growth to continue at a healthy pace, as local and regional economic diversification and expansion offset any drag from energy sector stagnation.

Taxing margin below the $0.80 per $100 assessed valuation cap for operations and maintenance and debt service is ample given the fiscal 2017 rate of $0.446 per $100 of TAV. This margin provides significant legal maneuverability to management in terms of tax revenue-raising ability.

Expenditure Framework

Fort Bend County's spending patterns reflect the constitutionally specified areas of responsibility for Texas counties. Of the $267.4 million in fiscal 2016 general fund outlays, justice administration was the largest category (25% of the total), followed by general administration and public safety (each at 20%). Capital outlays from the general fund have been trending upward in recent years, primarily due to roadway right-of-way acquisitions; capital spending totaled $25.2 million, or roughly 9% of fiscal 2016 spending.

The pace of spending is likely to remain generally in line with a strong projected pace of revenue gains as continued population increases drive additional service demands.

The county's constitutional obligation to provide certain services (e.g. criminal justice and public safety, health and human services) generates something of a constraint on expenditure flexibility, but the absence of employee bargaining units gives management notable control over headcount. Also, moderate carrying costs (debt service and retiree benefit contributions) of 14% of fiscal 2016 governmental spending provide additional spending flexibility.

Related Criteria

U.S. Public Finance Tax-Supported Rating Criteria (May 2017)

Long-Term Liability Burden

At 16% of total personal income, the combined burden of overall debt and net pension liability is a moderate burden on resources. The county issues tax-supported debt primarily for mobility projects and facility improvements. The county's direct debt constitutes less than 10% of its total debt burden, with overlapping debt (issued primarily by area school districts and special districts) comprising the vast majority of the $7.1 billion total debt load. County capital borrowings will continue to focus on mobility projects, driven by continued local and area population growth. The pace of debt amortization is average at just under 50% retired in 10 years.

Pensions are provided through the Texas County and District Retirement System, a multiple employer agent defined benefit plan. The estimated net pension liability (adjusted for a 6% investment return assumption) 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.

Operating Performance

The county's exceptional financial resilience is a function of its superior budget flexibility, in the form of notable legal control over tax revenues and expenditure control; its healthy operating reserves are another positive consideration in this assessment. For details, see "Scenario Analysis" on page 2.

The county's sound budget management practices are reflected in the consistently positive operating results and ability to adjust to changing economic and financial conditions. An example of this flexibility is the recent increase in annual general fund capital outlays to pay for unanticipated roadway project right-of-way costs, without weakening year-end results. This funding decision, along with a generally conservative budgetary approach, suggests the county would experience little or no deferral of required spending during a recession and prompt restoration of any use of reserves during times of economic recovery.

According to management, projected fiscal 2017 general fund results will include a roughly $11 million surplus after transfers and comparable addition to fund balance. Management also reports county departments are being asked to limit fiscal 2018 budget requests to minimal increases due to possible legislative consideration of a property tax revenue cap bill in a special session that is taking place this summer in Austin.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

MOODY'S INVESTORS SERVICE

CREDIT OPINION
30 June 2017

New Issue

Rate this Research

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Fort Bend County, TX

New Issue: Moody's Assigns Aa1 to Fort Bend County, TX's GOLT Bonds, Series 2017A

Summary Rating Rationale

Moody's Investors Service has assigned a Aa1 underlying rating to Fort Bend County's, TX, $52.1 million Combination Tax and Revenue Certificates of Obligation, Series 2017A. Moody's maintains a Aa1 rating on the county's outstanding general obligation limited tax bonds and a Aa1 rating on the outstanding general obligation unlimited tax bonds.

The Aa1 rating on the unlimited tax bonds reflects the county's large and growing tax base, strong wealth levels, strong fiscal management and adequate reserves and an elevated debt burden with plans for additional borrowing in the near term. The Aa1 GOLT rating is rated the same as the county's GOULT, reflecting the county's ample available taxing headroom to generate dedicated property taxes sufficient to pay debt service.

Credit Strengths

» Significantly large and growing tax base

» High wealth indices

» Strong fiscal management and stable financial position

Credit Challenges

» Elevated debt burden

» 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

» Materially improved available fund balances and liquidity

» Significantly reduced debt burden

Factors that Could Lead to a Downgrade

» Reduction in available fund balances or liquidity

» Inability to increase reserves in line with revenue growth

- Trend of significant declines in taxable values
- Significant increase in debt burden

Key Indicators

Exhibit 1

Fort Bend (County of) TX	2012	2013	2014	2015	2016
Economy/Tax Base					
Total Full Value ($000)	$ 38,034,487	$ 39,439,947	$ 41,977,668	$ 45,720,921	$ 53,358,083
Full Value Per Capita	$ 64,721	$ 64,768	$ 66,321	$ 69,450	$ 74,513
Median Family Income (% of US Median)	143.5%	146.7%	146.7%	150.3%	150.3%
Finances					
Operating Revenue ($000)	$ 251,067	$ 268,778	$ 288,813	$ 308,218	$ 340,817
Fund Balance as a % of Revenues	18.1%	16.1%	16.3%	18.3%	17.0%
Cash Balance as a % of Revenues	20.5%	18.1%	17.5%	19.9%	17.6%
Debt/Pensions					
Net Direct Debt ($000)	$ 516,665	$ 499,135	$ 606,122	$ 612,610	$ 678,280
Net Direct Debt / Operating Revenues (x)	2.1x	1.9x	2.1x	2.0x	2.0x
Net Direct Debt / Full Value (%)	1.4%	1.3%	1.4%	1.3%	1.3%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	0.8x	0.9x	1.0x	1.0x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	0.6%	0.6%	0.7%	0.7%

Source: Moody's Investors Service; Fort Bend County's audited financial statements (FYs 2012-2016)

Detailed Rating Considerations

Economy and Tax Base: Large and Growing Tax Base Benefits from Proximity to Houston

Benefiting from its location to Houston (Aa3 negative), Fort Bend County's large tax base will continue to experience growth in the near term. The primarily residential tax base grew a strong 9.4% over the prior year, reaching a sizeable $58.4 billion in total assessed value for fiscal 2017. Residential values grew $4.7 billion from the previous year, the primary driver behind the overall growth. Although management conservatively projects a 2% increase in values in fiscal 2018, preliminary values from the county assessor indicate an increase between 5%-7%. Near term growth reflects continued development within five master planned residential communities, as well as new commercial development and expansions among three business parks.

The economy is diverse with top employers representing the education, engineering and construction, health care, oil and gas, and transportation sectors. Last year, management noted modest employment losses due to the downturn in the oil and gas sector. But, most of those losses were offset by employment gains in other sectors, such as health care and engineering. Oil, gas and other mineral values account for a very small 0.1% of fiscal 2017 values. Likewise, the top 10 taxpayers comprise a modest 2.9% of fiscal 2017 full value, including NRG Energy, Inc. (Ba3 stable; 1.2% of full value).

Fort Bend County's strong population growth between 2000 and 2010 (65.1% to 585,375 residents) continued into 2015 with an estimated population of 658,331 residents, reflecting a 4% increase. The county's favorable location to Houston and improved access to the metro area from newly completed transportation corridors is expected to support continued population growth. Wealth indices are strong with median family income equal to 150.3% of the US. Employment trends are strong as the county gained more than 14,000 jobs between April 2016 and April 2017. But, the county's unemployment rate of 5% in April 2017 was slightly above the state (4.5%) and the US (4.1%) for the same period.

Financial Operations and Reserves: Strong Fiscal Management to Support Stable Financial Operations

The county's strong fiscal management, including conservative budgeting practices and adherence to formal policies, is expected to support stable financial operations in the near term. In fiscal 2016, General Fund revenues of $281.7 million outpaced expenditures by $754,000 (including transfers in and out), which increased the available General Fund balance to $46.2 million at year-end, representing an adequate 16.4% of revenues (compared to 17.8% at year-end 2015). Including the Road and Bridge Fund and Debt Service Fund, the county's available Operating Fund balance increased by $2.2 million to $58 million at year-end 2016, representing an adequate 17% of operating revenues. The county's reserve position did not keep pace with its rapidly growing General Fund revenues, leading to a small 1.4% decline in the ratio of available General Fund balance to revenues from fiscal 2015 to 2016. However, the county maintained reserves in excess of its formal reserve policy of a minimum of 15% of expenditures. In our report published last April, officials anticipated a $6 million surplus at year-end 2016, but a $4.5 million one-time expense for improper emergency medical services (EMS) billing, as well as increasing expenditures from the addition of two judicial courts significantly reduced the surplus. Property taxes are the county's largest source of operating revenues, accounting for 74% of fiscal 2016 General Fund revenues. The county levied a maintenance and operations tax rate of $3.73 per $1,000 of assessed valuation and officials anticipate the total tax rate will decrease modestly as the tax base expands.

Although the fiscal 2017 operating budget includes use of roughly $8 million of General Fund reserves to fund various capital projects, the county's financial performance year-to-date is strong. Officials anticipate the total General Fund balance will increase to $59.5 million at year-end 2017. If realized, the projected total General Fund balance would represent roughly 21% of fiscal 2016 General Fund revenues.

LIQUIDITY

The county's liquidity position is expected to remain stable in the near term given favorable year-to-date financial performance. The General Fund reported $47.9 million in cash and investments at year-end 2016, representing an adequate 17% of General Fund revenues. Liquidity in the Operating Fund totaled $59.8 million (17.6% of Operating Fund revenues).

Debt and Pensions: Above Average Debt Burden; Manageable Pension Liabilities

The county’s direct debt burden will remain above average given plans for additional borrowing in the near term. After the current issuance, the county will have $725.8 million of net direct debt outstanding, including $265.8 million of general obligation limited tax bonds, $196.2 million of general obligation unlimited tax bonds, $155.1 million of limited contract tax and revenue bonds and $108.7 million of unlimited tax and toll road revenue bonds, representing 1.2% of fiscal 2017 full value. When considering a significantly large amount of smaller local governments that are located in the county, the overlapping debt burden is very high at 12.3% of 2017 full value.

Officials anticipate issuing $26 million of certificates of obligation at the end of calendar 2017 to complete phase two of the Westpark Toll Road extension, as well as $60 million for mobility and transportation improvements. In March 2018, officials expect to exhaust the remaining $41.4 million authorized for various facility upgrades and improvements. Officials anticipate holding a $220 million bond election in November 2017 to address mobility demands due to the county's growing population. Additional debt borrowing absent corresponding tax base growth leading to an increased direct debt burden could lead to downward pressure on the rating.

The county's taxing headroom from the projected maximum property tax levy provides a sizable 6.8 times coverage of maximum annual debt service (MADS) on its general obligation limited tax bonds ($35.4 million in fiscal 2021; including the current offering and the limited contract tax and revenue bonds).

DEBT STRUCTURE

All of the county’s debt is fixed rate. Payout is slow relative to the median for the rating category with only 52.6% of principal retired in 10 years. The county issued $3.8 million of tax notes in January 2017 (unrated) with a six year maturity schedule for road construction.

DEBT-RELATED DERIVATIVES

The county 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 required contributions. The county's pension burden remains manageable despite sizable increases in unfunded liabilities. Moody's fiscal 2016 adjusted net pension liability (ANPL) for the county, under our methodology for adjusting reported pension data, is $419 million. The three-year average ANPL to operating revenues ratio is a modest 1.02 times. The three-year average ANPL to full value ratio is 0.7%. Moody's ANPL reflects certain adjustments we make to improve the comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information but to improve comparability with other rated entities.

The county currently provides health care benefits (medical and prescription drug benefits) to retirees and their dependents meeting certain eligibility requirements. Funding of these benefits continues to occur on a pay-as-you-go basis and contributions are approved on a year-by-year basis. The county's OPEB costs in fiscal 2016 were $42.6 million, of which the county contributed $7 million (16.3% of OPEB costs). The net OPEB obligation of the county rose to $256.9 million in 2016 from $221.3 million in the previous year. Total fixed costs including debt service, pension contributions, and OPEB were a manageable 17% of fiscal 2016 operating revenues.

Management and Governance: Conservative Practices Support Stable Operations

The county is governed by a five member commissioners court led by the county judge. The county judge is elected for a term of four years and commissioners serve four year staggered terms. The county auditor is appointed for a term of two years and is the chief financial officer of the county. Conservative budgeting practices and adherence to formal policies indicate strong financial management.

Texas Counties have an Institutional Framework score of Aaa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue sources are subject to a cap, which cannot be overriden. However, the cap of $8.00 per $1,000 of assessed values, with no more than $4 allocated for debt service, still allows for significant revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Texas is a Right to Work state, providing significant expenditure-cutting ability. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Legal Security

The general obligation unlimited tax bonds are secured by an annual ad valorem tax levied, without limitation as to rate, against all taxable property within the county.

The general obligation limited tax bonds and certificates of obligation constitute direct obligations of the county payable from an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the county. The certificates are additionally secured by and payable from a limited pledge of the surplus revenues of the county's parks system.

Use of Proceeds

Proceeds from the current offering will fund the county's portion of the construction costs related to phase one and phase two (partial) of the Westpark Toll Road extension.

Obligor Profile

Fort Bend County is a political subdivision of the State of Texas (Aaa stable) located in the southeastern portion of the state and within the greater Houston metropolitan area. The county encompasses roughly 886 square miles and has population of 585,375 residents.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 2

Fort Bend (County of) TX

Issue	Rating
Combination Tax and Revenue Certificates of Obligation Series 2017A	Aa1
Rating Type	Underlying LT
Sale Amount	$52,050,000
Expected Sale Date	07/18/2017
Rating Description	General Obligation Limited Tax

Source: Moody's Investors Service

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