

New Issue: Addison (Town of) TX

MOODY'S UPGRADES TO Aa2 FROM Aa3 THE UNDERLYING RATING ON THE TOWN ADDISON [TX] GO DEBT; ASSIGNS Aa2 TO COMBINATION TAX AND REVENUE CO, SERIES 2008

Aa2 RATING AFFECTS \$86.4 MILLION IN PARITY DEBT, INCLUDING CURRENT ISSUE

Municipality
 TX

Moody's Rating

ISSUE	RATING
Combination Tax and Revenue Certificates of Obligation, Series 2008	Aa2
Sale Amount	\$34,500,000
Expected Sale Date	05/13/08
Rating Description	GENERAL OBLIGATION

Opinion

NEW YORK, May 12, 2008 -- Moody's Investors Service has assigned a Aa2 rating to the Town of Addison's [TX] \$34.5 million Combination Tax and Revenue Certificates of Obligations, Series 2008 and upgraded to Aa2 from Aa3 the underlying rating on the Town's \$51.9 million in outstanding parity debt. Bond proceeds will be used to fund infrastructure improvements associated with a new development. The Bonds constitute direct obligations of the Town, payable from a direct and continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the Town. The upgrade to Aa2 reflects the Town's healthy tax base with favorable socioeconomic indicators and a strong management team that maintains healthy financial operations.

REAPPRAISALS SUPPORT INCREASE IN TAX BASE; HIGH COMMUNITY WEALTH LEVELS

The Town of Addison, centrally located within the Dallas/Fort Worth metroplex, has historically served as a business community with ample office space, hotel rooms, and restaurants. Although the residential population approximates 15,000, the daytime population swells to an estimated 200,000 as individuals travel into the Town for employment opportunities. As a result of the national economic slow down and deterioration in business travel following the events of September 11th, the Town's office and hotel occupancy rates declined, which impacted the assessed valuation. However, 2006 saw a return to growth as full value experienced a 4.7% increase to \$2.8 billion. Subsequently, the tax base grew 8.5% in fiscal 2007 and another 15.2% in fiscal 2008 primarily due to reappraisals of existing properties. Vitruvian Park, a new development currently underway by UDR Inc., is a planned \$1 billion project that could increase the Town's resident population by as much as 10,000 and add 500,000 square feet of office and retail space. The apartments in the project's first phase will be available in 2010. Wealth levels in the Town, as indicated by the 2000 Census, are strong with a per capita income of \$38,606 or nearly 200% of the state's value. Moody's believes the Town's favorable location in the Metroplex will continue to drive attractive redevelopment maintaining steady increases in the tax base.

HEALTHY FINANCIAL RESERVES

Town officials have generally employed conservative financial management and utilized long-term planning to ensure General Fund reserves remain sufficient to finance contingencies. Officials have a policy to maintain 25% of expenditures in the General Fund balance. In the last two fiscal years, the Town has increased its fund balance from \$7 million in fiscal 2005, equal to 30.5% of General Fund revenues to \$10.6 million, equal to 39% of General Fund revenues. The General Fund is 42% dependent on sales taxes and 33% on property taxes. This reliance on sales tax revenues is mitigated by the healthy fund balance reserve and conservative budgeting of this line item. Over the last five years, sales tax revenues have increased 3.1% on average annually, rebounding after experiencing annual declines between 2001 and 2003. In fiscal 2007, sales taxes grew 5.7% to \$10 million. Officials budgeted a 3% increase in sales taxes for fiscal 2008 and year to date figures (through March 31, 2008) are 4% over last years comparable data. The upgrade to Aa2 reflects Moody's expectation that the Town will maintain a strong financial position.

DEBT POSITION MANAGEABLE SUPPORTED BY RAPID REPAYMENT

Including the current sale, the Town's direct and overall debt ratios are manageable at 1.8% and 3.7%, respectively, both expressed as a percent of full value. The debt ratios are net of debt that has historically been supported by water and sewer revenues. Debt issuances have been manageable and major infrastructure projects are complete. The current issue will fund infrastructure needs associated with the new Vitruvian Park project. With continued reappraisals in the Town's assessed valuation and with principal repaid rapidly (66.9% in ten years), Moody's believes currently anticipated levels of additional borrowings can be layered in without significantly impacting the debt burdens.

KEY STATISTICS:

Estimated Population: 15,250

2008 Full Value: \$3.4 billion

2008 Full Value per Capita: \$228,788

2000 Census Per Capita Income: \$38,606 (197% of State)

Direct debt ratio (excluding self-supporting debt): 1.8%

Overall debt ratio (excluding self-supporting debt): 3.7%

Repayment of Principal (10 years): 66.9%

FY07 General Fund balance: \$10.6 million (39.2% of General Fund revenues)

FY07 Unreserved General Fund balance: \$10.3 million (38.0% of General Fund revenues)

Post Sale Parity Debt Outstanding: \$86.4 million

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