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Rating Action: Moody's assigns Aaa to Montgomery County, TX's GOULT; outlook stable

29 Oct 2018

New York, October 29, 2018 -- Moody's Investors Service has assigned a Aaa rating to Montgomery County, TX's \$84.5 million Unlimited Tax Road Bonds, Series 2018B and \$26.6 million Unlimited Tax Refunding Bonds, Series 2018. Moody's maintains the Aaa rating on the county's outstanding general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) bonds. The outlook is stable. Following the sale, the county will have \$540.9 million of outstanding GOULT and GOLT debt.

RATINGS RATIONALE

The Aaa rating reflects the county's large and diverse tax base that will continue to grow given its proximity to the Houston (Aa3 stable) metropolitan area and significant residential and commercial development, as well as resident income and wealth levels that are above state and national medians. The rating also reflects a healthy financial position with ample reserves that continued into fiscal 2018 (unaudited), and manageable long-term liabilities.

RATING OUTLOOK

The stable outlook reflects our expectation that the prudent management team will maintain the healthy financial position given conservative budgeting and adherence to formal fiscal policies. Additionally, given the vibrancy of the Houston metropolitan area, the county's diverse tax base will continue to grow and enhance the credit profile.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Weakening economic performance that results in negative assessed valuation growth trends
- Structural imbalance leading to a material decline in reserves
- Material increase in the debt burden

LEGAL SECURITY

Both series of bonds are secured by a continuing and direct annual ad valorem tax levied against all taxable property in the county without legal limitation as to rate or amount.

USE OF PROCEEDS

The road bond proceeds will finance various road projects. The refunding bonds will refund certain maturities of the Series 2010 unlimited tax bonds for estimated net present value savings of \$1.3 million, equal to 4.5% of refunded par, with no extension of final maturity.

PROFILE

Montgomery County covers 1,044 square miles in southeast Texas (Aaa stable). The county encompasses the City of Conroe (Aa1), which is the county seat, as well as the Woodlands, a 28,000 acre high end mixed use development. The county neighbors Harris County (Aaa stable) and is a participant in the Houston metropolitan area. The county's population is approximately 519,000 (2016 American Community Survey), a 14% increase from the 2010 Census figure of 455,700.

METHODOLOGY

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

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