MOODY'S INVESTORS SERVICE

CREDIT OPINION
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New Issue

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Travis County, TX

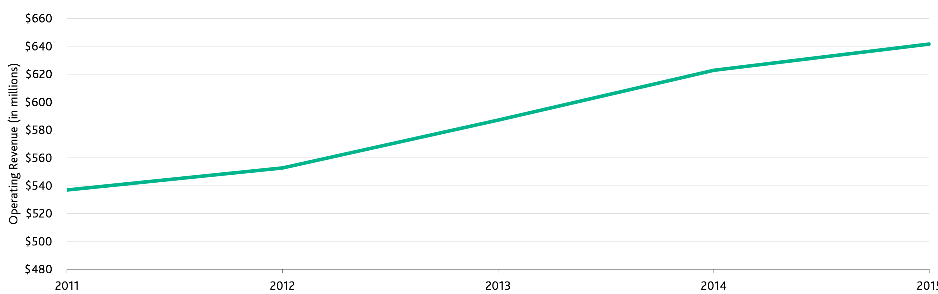
New Issue - Moody's Assigns Aaa to Travis County's, TX, Limited Tax Refunding Bonds Series 2016A & B; Outlook is Stable

Summary Rating Rationale

Moody's Investors Service has assigned an Aaa underlying rating to Travis County's, TX, $99.9 million Limited Tax Refunding Bonds Series 2016A and $22.2 million Limited Tax Refunding Bonds Taxable Series 2016B. The outlook is stable. We maintain the Aaa rating on outstanding unlimited tax and limited tax bonds previously issued by the county.

The Aaa rating reflects the county's large and diverse tax base that benefits from a growing and vibrant economy, as well as institutional presence provided by government employment and a large university. The rating also takes into consideration a history of stable financial performance, adherence to strong and prudent fiscal management practices to ensure financial stability and maintenance of healthy reserve levels, and a manageable debt and pension profile.

Exhibit 1
Solid Growth in County's Operating Revenues Benefits Financial Metrics



Source: Audited Financial Statements

Credit Strengths

» Stable financial performance with healthy reserves

» Adherence to prudent fiscal management practices

» Significantly large and well diversified tax base

» Institutional presence that provides stable employment base

Credit Challenges

» Rising OPEB liability

» Plans for additional borrowing

Rating Outlook

The stable outlook reflects expected near-term double digit growth in full value, as well as continued stable financial performance and metrics which is bolstered by growing revenue streams.

Factors that Could Lead to an Upgrade

» NA

Factors that Could Lead to a Downgrade

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

» Significant increase in debt profile without corresponding tax base growth

» Trend of significant declines in taxable values

» Inability to manage rising OPEB costs

Key Indicators

Exhibit 2

Travis (County of) TX	2011	2012	2013	2014	2015
Economy/Tax Base					
Total Full Value ($000)	$ 94,895,287	$ 96,184,365	$ 100,657,777	$ 107,044,170	$ 119,349,287
Full Value Per Capita	$ 90,387	$ 89,381	$ 90,813	$ 93,762	$ 101,743
Median Family Income (% of US Median)	110.6%	111.7%	111.7%	111.7%	111.7%
Finances					
Operating Revenue ($000)	$ 536,954	$ 552,752	$ 587,013	$ 622,747	$ 641,618
Fund Balance as a % of Revenues	29.5%	31.9%	31.5%	32.1%	31.8%
Cash Balance as a % of Revenues	36.4%	40.4%	38.7%	38.6%	38.6%
Debt/Pensions					
Net Direct Debt ($000)	$ 622,394	$ 660,346	$ 647,106	$ 701,196	$ 707,468
Net Direct Debt / Operating Revenues (x)	1.2x	1.2x	1.1x	1.1x	1.1x
Net Direct Debt / Full Value (%)	0.7%	0.7%	0.6%	0.7%	0.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	0.8x	1.1x	1.1x	1.3x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	0.5%	0.6%	0.7%	0.7%

Source: Audited Financial Statements and Moody's Investors Service

Recent Developments

The current issuance of Limited Tax Refunding Bonds Series 2016A and 2016B comes on the heels of a recent issuance of various unlimited and limited tax debt. The current issuance is expected to only have a marginal impact on the county's direct or overlapping debt burdens as these bonds are refunding existing debt outstanding. The following detailed credit discussion is reflective of our report published on 08 April 2016.

Detailed Rating Considerations

Economy and Tax Base: Large Diverse Tax Base Expected to Grow 13.3% for Fiscal 2017

The county's significantly large and diverse tax base is not only supported by strong institutional presence, but is expected to grow in the near-term. The county's growth has accelerated in the last five years with the fiscal 2016 full valuation of $137 billion reflecting a sizeable 14.8% growth over the previous year. The five-year compound annual growth in the county's tax base is 7.6% for the time frame from 2011 to 2016, which is above average for similarly rated and sized counties throughout the US. The county's top taxpayers and employers are not only diverse, but the county benefits from strong institutional presence as the county is home to the state capital and the University of Texas System (Aaa stable), both of which account for a significant amount of employment base in the area. The county's top ten taxpayers account for a modest 3.8% of the total tax base and include tech giants such as Samsung, Apple, and IBM. County officials report the real estate market in the area is strong, citing continued growth in home values and numerous residential (Single and multifamily) developments under construction throughout the county. The healthcare sector is also expanding with major providers growing operations. The Travis County Appraisal District estimates a solid 13.3% growth for fiscal 2017 taxable values, which is driven by growth in the commercial apartment, office, and residential sectors.

Moody's Economy.com reported in March of 2016 that the Austin-Round Rock metropolitan area will grow at an above-average pace over the coming year. The drivers will be information technology, professional services, travel and hospitality. In-migration of well-paid professionals will power above-average gains in the housing market. Moody's Economy.com also noted that longer term, an especially well-educated labor force, high concentration of technology businesses, and fast population growth will yield above-average performance. The American Community Survey data indicates above average wealth levels for residents living in the county, evidenced by a per capita income and median family income of 117.9% and 114.3% of national levels, respectively. The March 2016 unemployment rate for Travis County of 3.0% was below that of the state (4.5%) and the nation (5.1%) for the same time period.

Financial Operations and Reserves: Stable Year-to-Date Financial Performance in Line with Budget

The solid financial performance of the county along with a stable reserve position will continue in the near-term, which contributes to the stable outlook. The county's history of strong financial performance is due in large part to growing revenues and adherence to conservative and prudent fiscal management practices. In each of the last five years the county's General Fund has experienced operating surpluses. Growing property tax and sales tax receipts benefited the county in 2015. At fiscal year-end 2015 revenues outpaced expenditures by a modest $6.39 million, increasing total General Fund balance to $182.7 million or a healthy 33.7% of General Fund revenues. Despite multi-year operating surpluses, the county is continuing with its strategic plan to drawdown General Fund balance for non-recurring capital outlays and one-time initiatives to bring unassigned reserves closer to 25% of operating expenditures. At fiscal year-end 2015 available General Fund balance represented 28.3% of total expenditures (including transfers out of the Fund).

Year-to-date financial metrics remain stable. Fiscal 2016 includes a net increase of 76 full-time equivalents in the General Fund, as well as maintaining a pension contribution rate at 13.67%, a rate that is higher than what is required by the plan actuary. The county did have to utilize some resources for damage related to flooding in the year, but it was not significant in nature. Major revenue streams remain strong in 2016 and while cash funding of capital projects in 2016 and the coming years may be lumpy, due to the scope and size of projects, we anticipate stable financial metrics will be maintained. The county expects a 2.5% across-the-board salary increase for employees in 2017.

LIQUIDITY

Cash and pooled cash in the General Fund totaled $224 million at fiscal year-end 2015 or a healthy 41.4% of General Fund revenues for the year. The General Purpose Debt Service cash position totaled $17.4 million which is restricted for debt service requirements. Given stable fiscal 2016 performance, we anticipate a healthy cash position will be maintained in the near-term.

Debt and Pensions

DEBT STRUCTURE

The inclusion of the current refunding issues does not significantly impact the county's debt profile. The county's direct debt burden is average at 0.5%, which is calculated from fiscal 2016 full value. Payout of principal outstanding is also average at 74.4% of principal retired over the next ten years. The overlapping debt burden of the county is 4.4%.

DEBT-RELATED DERIVATIVES

The county has no variable rate bonds outstanding and is not party to any interest rate swaps.

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 County 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 $33.8 million. 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 $1.1 billion. The three-year average ANPL to operating revenues ratio is 1.3 times. The three-year average ANPL to full value ratio is 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.moodys.com/pensions.

The county currently provides healthcare benefits (medical and prescription drug benefits) to retirees and their dependents meeting certain eligibility requirements. Funding of these benefits continues to be done on a pay-as-you-go basis. Contributions are approved on a year-by-year basis. The county's OPEB costs in fiscal 2015 were $55.1 million, of which the county contributed $9.9 million or 18%. The net OPEB obligation of the county rose to $149.2 million in 2015 from $104 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 & 2016B Bonds are payable from the receipts of separate, direct and continuing annual ad valorem taxes levied, within the limits prescribed by law, on all taxable property within the county.

Use of Proceeds

Proceeds from the sale of the Series 2016A & 2016B Bonds will be used to provide funds to refund certain of the county's outstanding limited and unlimited tax debt in order to achieve savings.

Obligor Profile

The county is located in central Texas (Aaa stable) and is home to the City of Austin (Aaa stable), the state capital. The county is roughly 1,022 square miles and the current population estimate is 1,209,415.

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.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

Travis (County of) TX

Issue	Rating
Limited Tax Refunding Bonds Series 2016A	Aaa
Rating Type	Underlying LT
Sale Amount	$99,900,000
Expected Sale Date	07/19/2016
Rating Description	General Obligation Limited Tax
Limited Tax Refunding Bonds Taxable Series 2016B	Aaa
Rating Type	Underlying LT
Sale Amount	$22,200,000
Expected Sale Date	07/19/2016
Rating Description	General Obligation Limited Tax

Source: Moody's Investors Service

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