

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns a Aa3 rating to the Town of Little Elm's (TX) \$6 million Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013

Global Credit Research - 21 May 2013

Aa3 rating affects \$74.7 million in outstanding parity debt, inclusive of the current sale

LITTLE ELM (TOWN OF) TX
Cities (including Towns, Villages and Townships)
TX

Moody's Rating

ISSUE	RATING
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013	Aa3
Sale Amount	\$6,000,000
Expected Sale Date	06/03/13
Rating Description	General Obligation Limited Tax

Moody's Outlook

Opinion

NEW YORK, May 21, 2013 –Moody's Investors Service has assigned a Aa3 rating to the Town of Little Elm's (TX) \$6 million Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013. Concurrently, Moody's maintains the Town's Aa3 general obligation debt rating, affecting \$68.7 million in previously issued debt. Proceeds from the sale of bonds will be used to acquire, construct, improve, and equip municipal park and recreational facilities.

SUMMARY RATING RATIONALE

The certificates constitute direct general obligations of the issuer payable from annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and further secured by and payable from a lien on the limited pledge (not to exceed \$1,000) of the net revenues derived from the operation of the issuer's combined waterworks and sewer system. The Aa3 rating reflects the Town's moderately sized tax base that continues to experience growth, conservative fiscal management which has produced strong financial reserves, and an elevated debt profile driven by rapid population growth.

STRENGTHS

- *Strong General Fund reserves
- *Moderately-sized growing tax base

CHALLENGES

- *Elevated debt burden

DETAILED CREDIT DISCUSSION

MODERATELY-SIZED TAX BASE CONTINUES TO EXPERIENCE NEW CONSTRUCTION GROWTH

We believe the Town will continue to experience moderate full value growth over the medium term due to new housing starts and continued commercial development to serve the growing population. The Town of Little Elm is located in Denton County (general obligation rated Aaa/Stable outlook) and is approximately ten miles east of the

*Tax base expansion and diversification coupled with improved socio-economic demographics

*Continued trend of surplus financial operations

WHAT COULD MAKE THE RATING GO DOWN:

*Significant erosion of tax base

*Depletion of financial reserves

KEY STATISTICS

Population Estimate 2013: 29,418

Fiscal 2013 Full Value: \$1.62 billion

Fiscal 2013 Full Value per Capita: \$54,917

Direct Debt Burden (net of utility-supported debt): 3.2%

Overall Debt Burden (net of utility-supported debt): 10.0%

Payout of Principal (10 years): 59.4%

Fiscal 2012 General Fund Balance: \$7.1 million (40.7% of General Fund revenues)

Post-sale Parity Debt Outstanding: \$74.7 million

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was *General Obligation Bonds Issued by US Local Governments* published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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