

ISSUER COMMENT

19 October 2018

RATING

General Obligation (or GO Related) ¹

Aa3 No Outlook

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City of Meadows Place, TX

Annual Comment on Meadows Place

Issuer Profile

The City of Meadows Place is located in northeastern Fort Bend County in southeastern Texas, approximately 15 miles southwest of Houston. The county has a population of 683,756 and a moderate population density of 782 people per square mile. The county's median family income is \$101,479 (1st quartile) and the August 2018 unemployment rate was 4% (3rd quartile) ². The largest industry sectors that drive the local economy are retail trade, health services, and professional/scientific/technical services. Hurricane Harvey made landfall in Texas in late August 2017. The storm caused varying degrees of damage and disruption along the Gulf Coast. To date, we are not aware of any material impact on Meadows Place's credit quality. We continue to monitor damage from Harvey and the related rainfall and will evaluate the credit impact of new information as it becomes available.

Credit Overview

Meadows Place has a strong credit position, and its Aa3 rating is level with the median rating of Aa3 for cities nationwide. Notable credit factors include a very healthy financial position, a negligible debt burden and a low pension liability. The credit position also reflects a very strong wealth and income profile and a limited tax base.

Finances: The financial position of the city is robust and is favorable when compared to the assigned rating of Aa3. Meadows Place's fund balance as a percent of operating revenues (88.6%) far surpasses the US median, and increased materially from 2013 to 2017. Also, cash balance as a percent of operating revenues (97%) is far superior to the US median.

Debt and Pensions: Overall, the debt and pension liabilities of the city are affordable and are favorable in comparison to its Aa3 rating. Net direct debt to full value (0.4%) is under the US median, and contracted between 2013 and 2017. Also, Meadows Place's Moody's-adjusted net pension liability to operating revenues (0.71x) favorably is materially below the US median.

Economy and Tax Base: The city has a strong economy and tax base overall, which are in line with the assigned rating of Aa3. Median family income is a robust 150.5% of the US level. Furthermore, full value per capita (\$69,929) is roughly equivalent to the US median, and increased dramatically from 2013 to 2017. That said, total full value (\$326 million) is much weaker than the US median.

Management and Governance: Texas cities have an Institutional Framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Property taxes, one of the sector's major revenue sources are subject to a cap, which cannot be overridden. However,

the cap of \$25 per \$1,000 of assessed values with no more than \$15 allocated for debt, 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 greater 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.

Sector Trends - Texas Cities

Texas cities benefit from strong migration trends, fueling demand for housing, goods and services. Ongoing residential and commercial development have driven double digit assessed valuation growth within the past three years. Similarly, sales tax gains have averaged more than 5% annually and will continue to benefit from the lack of a state income tax. The recovery in energy prices have supported growth in energy-dependent regions. Debt and pension levels are manageable for most cities. Healthy revenue trends with ample taxing margins and favorable reserves will allow most cities to maintain solid performance over the near term.

EXHIBIT 1

Key Indicators ^{4 5} Meadows Place

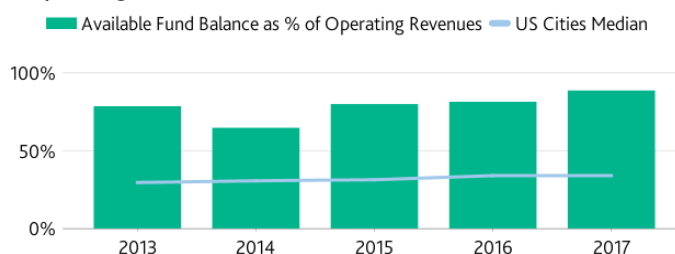
	2013	2014	2015	2016	2017	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$268M	\$266M	\$275M	\$297M	\$325M	\$1,867M	Improved
Full Value Per Capita	\$56,969	\$56,590	\$58,325	\$62,933	\$69,929	\$89,200	Improved
Median Family Income (% of US Median)	140%	147%	151%	151%	151%	113%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	78.5%	64.6%	79.9%	81.4%	88.6%	33.9%	Improved
Net Cash Balance as % of Operating Revenues	87.3%	72.6%	87.9%	88.4%	97.0%	36.9%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.1%	1.0%	0.7%	0.6%	0.4%	1.1%	Improved
Net Direct Debt / Operating Revenues	0.51x	0.38x	0.32x	0.25x	0.19x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.6%	0.7%	1.0%	1.2%	1.5%	1.8%	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.27x	0.26x	0.44x	0.54x	0.71x	1.51x	Stable
	2013	2014	2015	2016	2017	US Median	
Debt and Financial Data							
Population	4,706	4,701	4,730	4,731	4,660	N/A	
Available Fund Balance (\$000s)	\$4,565	\$4,524	\$5,075	\$5,469	\$5,957	\$7,419	
Net Cash Balance (\$000s)	\$5,075	\$5,079	\$5,583	\$5,941	\$6,520	\$8,404	
Operating Revenues (\$000s)	\$5,815	\$6,998	\$6,355	\$6,723	\$6,724	\$21,930	
Net Direct Debt (\$000s)	\$2,960	\$2,626	\$2,052	\$1,673	\$1,310	\$18,580	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$1,555	\$1,834	\$2,803	\$3,605	\$4,751	\$32,507	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

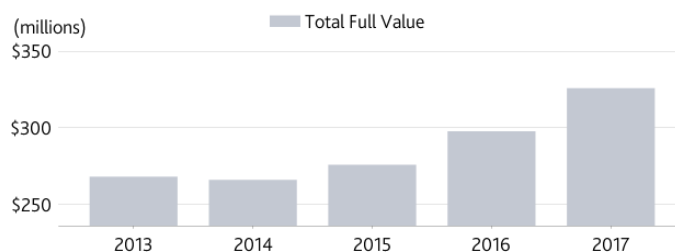
Available fund balance as a percent of operating revenues increased from 2013 to 2017



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

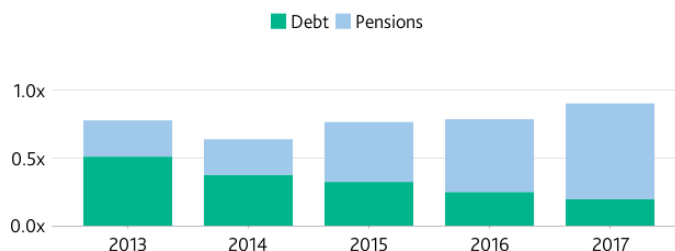
Full value of the property tax base increased from 2013 to 2017



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues remained stable from 2013 to 2017



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- 3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - 5 The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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