

**MOODY'S AFFIRMS CITY OF COLUMBIA'S (SC) Aa1 RATING ON \$19.8 MILLION G.O. BONDS SERIES 2011 A&B; OUTLOOK REVISED TO STABLE**

**AFFIRMS A2 RATING ON \$46.7 MILLION OF OUTSTANDING PARKING REVENUE BONDS AND A1 RATING ON \$26.2 MILLION COLUMBIA PUBLIC FACILITIES CORPORATION 2003 SERIES COPS**

Columbia (City of) SC  
Municipality  
South Carolina

Moody's Rating

Issue	Rating
General Obligation Bonds, Series 2011B	Aa1
Sale Amount	\$9,375,000
Expected Sale Date	03/03/11
Rating Description	General Obligation
General Obligation Refunding Bonds, Series 2011A	Aa1
Sale Amount	\$10,435,000
Expected Sale Date	03/03/11
Rating Description	General Obligation

Moody's Outlook - Stable

NEW YORK, February 28, 2011 -- Moody's Investors Service has assigned a Aa1 rating and Stable outlook to the City of Columbia's (SC) General Obligation Refunding Bonds Series 2011A and the General Obligation Bonds Series 2011B. The bonds are secured by the city's general obligation unlimited tax pledge. Proceeds of the Series 2011A bonds will refund the Series 2002 bonds with a net present value savings of 2.9% and no extension of maturity. Proceeds of the Series 2011B bonds will finance the purchase of various vehicles and equipment with the debt matching the useful life of the assets.

**RATINGS RATIONALE**

Concurrently, Moody's has affirmed the Aa1 rating on and revised the outlook to stable from negative on \$31.8 million of outstanding general obligation bonds, post issuance. The Aa1 rating is based on the city's adequate General Fund reserve position that is balanced by additional financial flexibility derived from the unrestricted and separately-held other post-employment benefits (OPEB) reserve; a stable local economy that is supported by the presence of the state capital and the main campus of the University of South Carolina (rated Aa2/stable outlook); and a modest direct debt burden with limited borrowing planned. Revision to a stable outlook reflects the city's conservative budgeting over the previous 18 months, which has reportedly replenished fund balance to levels consistent with the Aa1 rating category.

At this time, Moody's also has also affirmed the A2 rating with no outlook on the city's \$46.7 million in outstanding parking revenue bonds and the A1 rating on the city's Series \$26.2 million 2003 Certificates of Participation issued through the Columbia Public Facilities Corporation and secured by an a first lien of tourism development fees levied in the City of Columbia, Lexington County (G.O. rated Aa2) and Richland County (G.O. rated Aa1). The parking revenue bonds A2 is based on satisfactory debt service coverage ratios, despite a decline in 2010 due to a major tenant leaving the city, and maintenance of ample cash reserves in the Parking Facilities Fund. The A1 rating on the city's COPS reflects the adequate and stable coverage provided by the tourism development fees, despite Lexington County's decision to not make monthly payments, and the city's willingness to appropriate funds to meet debt service payments. Lexington County has since transferred the funds to the city and is current on their payments. A further discussion on the county's decision can be found in the county's new issue report dated September 17, 2010.

**STRENGTHS:**

- Local economy stabilized by large institutional presence.
- Strong fiscal management resulting in ample available reserves.

**WEAKNESSES:**

- Use of almost two-thirds of the city's combined fund balance is restricted by a super majority of city council.
- Low wealth and educational levels compared to the national averages.

**HEALTHY FINANCIAL POSITION RESTORED AFTER CONSECUTIVE YEARS OF DRAWDOWNS; AMPLE AVAILABLE RESERVES OUTSIDE THE GENERAL FUND**

The city's General Fund, after ranging from a low of 18.8% to a high of 29.5% from fiscal 2000 to 2007, declined dramatically in fiscal 2008 and 2009 to 10.5% and 5.3%, respectively. The decline to 5.3% in fiscal 2009 resulted in a violation of the city's own internal General Fund policy to maintain a minimum of 10% of budgeted appropriations. The primary reasons behind the decline in General Fund balance was the city's decision to transfer \$16 million over the two years to a reserve for other post employment benefits (OPEB) for which the city had not budgeted. Additionally, overtime from various departments put pressure on the city's budget and resulted in negative variances. Towards the end of fiscal 2009 a new management team took over and promptly implemented numerous policies, including moving to the Fair Labor Standard Act, which management indicates saved the city \$10 million; reducing travel, paid holidays and pay-go capital expenditures and health care; and reviewing the budget on a monthly basis. Additionally, management now does three-year budget forecasts. These, and various other budget initiatives, have resulted in an unaudited General Fund increase of \$8.6 million in fiscal 2010 to \$15.4 million or 15.5% of revenues. Additionally, the city was also able to continue to fund its OPEB reserve, adding an additional \$11.1 million to \$27.9 million. When combining the Unassigned General Fund balance (\$13.7 million) and OPEB

reserve (which is accessible to the General Fund upon a super majority of the city council) the city finished the fiscal year with an unaudited \$41.4 million or 41.9% of General Fund revenues.

While reserved for OPEB liabilities, management reports that the OPEB fund remains unrestricted and would require a super majority of council (5 out of 7 members) to approve in order to access the funds for operations, if necessary. The city began reserving for OPEB in fiscal 2008 and since has added \$27.9 million over three years. While the city annually pays its full annual required contribution (ARC) it makes the additional contribution and hopes to be fully funded within the next thirty years.

The city's fiscal 2011 budget increased by \$1.3 million (1.2%) over the previous year, budget-to-budget, and did not include an increase in millage or an appropriation of fund balance. The budget carried over from the previous year the city's new policies and expenditure cuts. For year-end fiscal 2011, management projects a General Fund surplus of \$1.4 million to approximately \$15 million and an increase of \$4.2 million in the OPEB reserve. Going forward, management is going to look at limiting the city's exposure to further OPEB liabilities. The city's primary revenue source is property taxes (43.2% of 2009 revenues), followed by licenses and permits (26.5%) and Intergovernmental aid (10.5%).

#### STATE CAPITAL AND STATE UNIVERSITY PROVIDE ECONOMIC STABILITY

Moody's believes that the city will continue to benefit from its role as the state capital of South Carolina (G.O. rated Aaa/stable outlook) and the presence of the University of South Carolina's flagship campus, employing more than 5,200 and serving approximately 37,965 students. The university will remain a stabilizing force as it continues to expand its research facilities and housing. Regional economic stability is also provided by the nearby presence of Fort Jackson, the United States Army's largest training installation, with more than 3,900 active duty soldiers and their 14,000 family members assigned to the installation. Fort Jackson has a significant economic impact on the region with approximately 100,000 family members visiting the area annually for graduation ceremonies.

Over the past five years, the city's average growth in assessed value has been a moderate 8.5%, including an 21.7% increase with reassessment in fiscal 2010. The city's \$9.2 billion tax base is expected to benefit from new developments in the medium term, spurred by the city's revitalization in the downtown area. Officials note that approximately two-thirds of the property within the city's limits is tax-exempt. While the assessed value in the city has remained strong at an 8.5% growth rate over the past five years, new construction in fiscal 2010 dropped significantly. New commercial development growth dropped by almost 83% and residential growth was cut by close to 60%. Officials also note that new residential construction was mostly attributed to the refurbishing of old buildings and homes. However, with population growth expanding by almost 2% annually continued growth is expected in the residential housing market in the near-term. The Columbia MSA unemployment rate (9.1% as of November), which remains high but remains below the state (10.7%), has fallen over the past primarily due to the decline in the overall workforce. Governmental and financial service

job growth has stabilized and is expected to remain flat over the next year. Full value per capita at \$72,037 is below the national median, reflecting the city's strong institutional presence. The city's 1999 median family income is lower than the State of South Carolina, at 89.5% of the state level, but the 1999 per capita income is stronger, standing at 100.3% of the state.

#### MINIMAL DIRECT DEBT LEVELS WITH RAPID AMORTIZATION

The city's direct debt burden, currently at 0.4% of full valuation, is modest and is expected to remain so given limited future debt plans. The city's overall debt burden is above average at 3.8% of full valuation, reflecting the large amount of overlapping school district debt. Amortization of debt is above average, with 82% of principal retired within 10 years. After the issuance of the current issue the city will have approximately \$31 million of bonds outstanding, which is below the constitutional debt limit of \$40 million. All debt is fixed rate and the city is not party to any derivative agreements.

#### MOODY'S EVALUATES THE IMPACT OF PROPERTY TAX REFORM LEGISLATION

On June 10, 2006, the governor of South Carolina signed property tax reform legislation (Act 388) that limits increases in the operating millage levied on non-exempt property in municipalities, to a factor incorporating the increase in the southeast CPI and growth in population. In addition, on November 7, 2006, voters approved by a referendum a limit on growth in assessed valuation of property attributable to periodic revaluation to not more than 15% within a five year period, unless a transfer of interest has occurred. Moody's will continue to monitor the impact of this legislation on South Carolina local governments on a case-by-case basis.

#### WHAT COULD MOVE THE RATING UP:

- Continued improvement in the city's General Fund financial position.
- Significant growth in either taxable properties or socio-economic profile.

#### WHAT COULD MOVE THE RATING DOWN:

- Return to operating deficits resulting in limited financial flexibility.
- Significant decline in tax base or socio-economic profile.

#### KEY STATISTICS

2009 population (estimate): 127,029 (+9.2% since 2000)

FY 2010 full valuation: \$9.2 billion

Full valuation per capita: \$72,037

Debt burden: 3.9%

Payout of principal (10 years): 88.2%

FY 2009 General Fund balance: \$6.8 million (6.1% of General Fund revenues)

FY 2009 Unreserved General Fund balance: \$5.3 million (4.7% of General Fund revenues)

Unaudited FY 2010 General Fund balance: \$15.4 million (15.5% of General Fund revenues)

Unaudited FY 2010 Unassigned General Fund balance: \$13.7 million (13.8% of General Fund revenues)

Unemployment (as of 11/2010): 9.1%

Median Family Income: \$39,589 (as a % of state: 89.5%; as a % of US: 79.1%)

Per Capita Income: \$18,853 (as a % of state: 100.3%; as a % of US: 87.3%)

G.O. debt outstanding: \$31 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009.

#### REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, and confidential and proprietary Moody's Analytics information.

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**MOODY'S UPGRADES TO Aa3 FROM A1 THE CITY OF COLUMBIA'S (SC)  
CERTIFICATES OF PARTICIPATION SERIES 2004 ISSUED THROUGH  
THE COLUMBIA PUBLIC FACILITIES CORPORATION**

**UPGRADE TO Aa3 AFFECTS \$16.2 MILLION IN COPS OUTSTANDING**

Columbia Public Facilities Corporation, SC  
Columbia (City of) SC  
Municipality  
South Carolina

NEW YORK, February 28, 2011 -- Moody's Investors Service has upgraded to Aa3 from A1 the City of Columbia's (SC) Certificates of Participation (Hospitality Fee Pledge) Series 2004 issued through the Columbia Public Facilities Corporation. The bonds are secured by a first lien on the city's 2% fee on all gross proceeds derived from the sale of prepared food and beverages within the city. Additionally, the rating reflects the added security provided by the city's pledge to appropriate funds, if it so chooses, to replenish the debt service reserve fund in a timely manner in the event that revenues are not sufficient to meet debt service payment requirements..

**RATINGS RATIONALE**

The upgrade reflects the continued improvement in debt service coverage of the certificates.

**STRENGTHS:**

- Regionally important economic center
- Considerable institutional presence with the state capital, University of South Carolina and Fort Jackson

**WEAKNESSES:**

- Revenues are economically sensitive

**ABSOLUTE AND UNCONDITIONAL PLEDGE OF REVENUES; RESERVE REPLENISHMENT  
SUBJECT TO APPROPRIATION**

The Certificates represent undivided interest in the Base Fee Payments to be paid by the City of Columbia directly to the Trustee. The corporation assigns and pledges to the Trustee as security for the payment of the 2004 Certificates all rights, title and interest in and to the fee payments under the Installment Sale Agreement. The city's obligation to make payments from hospitality fee revenues is absolute and unconditional, and is not subject to annual appropriation. The legal structure provides for early payment of Base Fee Payments by January 15th and July 15th each year, 15 days in advance of principal and interest payment due dates. Officials will maintain a debt service reserve fully funded at an amount equal to the least of (a) 10% of the principal amount of the Series 2004 Certificates; (b) the greatest remaining Base Fee Payments with respect to the Series 2004 Certificates in any Fiscal Year; or (c) 125 percent of the average remaining Base Fee Payments with respect to the Series 2004

Certificates. The city will fund the reserve requirement with a surety bond policy. Additional security is provided by the city's pledge to appropriate funds, if it so chooses, from available funds to replenish the debt service reserve fund in the event that revenues do not cover debt service payments. This replenishment would occur prior to the next Base Fee Payment due to the corporation prior to the payment date for the certificates.

#### HEALTHY DEBT SERVICE COVERAGE WITH NO ADDITIONAL DEBT PLANS

Moody's believes that pledged revenues will continue to provide ample debt service coverage through the life of the certificates based on the growing local economy and the lack of any plans to issue additional debt payable from this revenue source. Through adoption of a local ordinance, the Columbia city council adopted a uniform fee of 2% of all gross proceeds derived from the sale of prepared food and beverages served by a restaurant, hotel, or other food service facility in the city, effective July 1, 2003. Hospitality fee revenues have grown 24% over the past five years to \$8.6 million in fiscal 2010. Coverage over that time has also increased to a healthy 5.55 times from a low of 4.34 times. Additionally, despite the economic slowdown experienced over the past two and a half years, the revenue has source has continued to grow. While revenues increased a minimal \$9,000 from fiscal 2008 to 2009 it increased by approximately \$600,000 in fiscal 2010. The stable nature of the revenue source is reflective of the institutional presence provided by the University and United States Army training facility and the steady demand for prepared meals and beverages. Additionally, the city has in reserve approximately \$2.8 million (1.8 times MADS) which is available and not subject to appropriation. While officials have no plans to issue additional debt secured by hospitality fees, legal provisions include a 1.2 times MADS additional bonds test.

#### HEALTHY FINANCIAL POSITION RESTORED AFTER CONSECUTIVE YEARS OF DRAWDOWNS; AMPLE AVAILABLE RESERVES OUTSIDE THE GENERAL FUND

The city's General Fund, after ranging from a low of 18.8% to a high of 29.5% from fiscal 2000 to 2007, declined dramatically in fiscal 2008 and 2009 to 10.5% and 5.3%, respectively. The decline to 5.3% in fiscal 2009 resulted in a violation of the city's own internal General Fund policy to maintain a minimum of 10% of budgeted appropriations. The primary reasons behind the decline in General Fund balance was the city's decision to transfer \$16 million over the two years to a reserve for other post employment benefits (OPEB) for which the city had not budgeted. Additionally, overtime from various departments put pressure on the city's budget and resulted in negative variances. Towards the end of fiscal 2009 a new management team took over and promptly implemented numerous policies, including moving to the Fair Labor Standard Act, which management indicates saved the city \$10 million; reducing travel, paid holidays and pay-go capital expenditures and health care; and reviewing the budget on a monthly basis. Additionally, management now does three-year budget forecasts. These, and various other budget initiatives, have resulted in an unaudited General Fund increase of \$8.6 million in fiscal 2010 to \$15.4 million or 15.5% of revenues. Additionally, the city was also able to continue to fund its OPEB reserve, adding an additional \$11.1 million to \$27.9 million. When combining the Unassigned General Fund balance (\$13.7 million) and OPEB reserve (which is accessible to the General Fund upon a super majority

of the city council) the city finished the fiscal year with an unaudited \$41.4 million or 41.9% of General Fund revenues.

While reserved for OPEB liabilities, management reports that the OPEB fund remains unrestricted and would require a super majority of council (5 out of 7 members) to approve in order to access the funds for operations, if necessary. The city began reserving for OPEB in fiscal 2008 and since has added \$27.9 million over three years. While the city annually pays its full annual required contribution (ARC) it makes the additional contribution and hopes to be fully funded within the next thirty years.

The city's fiscal 2011 budget increased by \$1.3 million (1.2%) over the previous year, budget-to-budget, and did not include an increase in millage or an appropriation of fund balance. The budget carried over from the previous year the city's new policies and expenditure cuts. For year-end fiscal 2011, management projects a General Fund surplus of \$1.4 million to approximately \$15 million and an increase of \$4.2 million in the OPEB reserve. Going forward, management is going to look at limiting the city's exposure to further OPEB liabilities. The city's primary revenue source is property taxes (43.2% of 2009 revenues), followed by licenses and permits (26.5%) and Intergovernmental aid (10.5%).

#### STATE CAPITAL AND STATE UNIVERSITY PROVIDE ECONOMIC STABILITY

Moody's believes that the city will continue to benefit from its role as the state capital of South Carolina (G.O. rated Aaa/stable outlook) and the presence of the University of South Carolina's flagship campus, employing more than 5,200 and serving approximately 37,965 students. The university will remain a stabilizing force as it continues to expand its research facilities and housing. Regional economic stability is also provided by the nearby presence of Fort Jackson, the United States Army's largest training installation, with more than 3,900 active duty soldiers and their 14,000 family members assigned to the installation. Fort Jackson has a significant economic impact on the region with approximately 100,000 family members visiting the area annually for graduation ceremonies.

Over the past five years, the city's average growth in assessed value has been a moderate 8.5%, including an 21.7% increase with reassessment in fiscal 2010. The city's \$9.2 billion tax base is expected to benefit from new developments in the medium term, spurred by the city's revitalization in the downtown area. Officials note that approximately two-thirds of the property within the city's limits is tax-exempt. While the assessed value in the city has remained strong at an 8.5% growth rate over the past five years, new construction in fiscal 2010 dropped significantly. New commercial development growth dropped by almost 83% and residential growth was cut by close to 60%. Officials also note that new residential construction was mostly attributed to the refurbishing of old buildings and homes. However, with population growth expanding by almost 2% annually continued growth is expected in the residential housing market in the near-term. The Columbia MSA unemployment rate (9.1% as of November), which remains high but remains below the state (10.7%), has fallen over the past primarily due to the decline in the overall workforce. Governmental and financial service job growth has stabilized and is expected to remain flat over the next

year. Full value per capita at \$72,037 is below the national median, reflecting the city's strong institutional presence. The city's 1999 median family income is lower than the State of South Carolina, at 89.5% of the state level, but the 1999 per capita income is stronger, standing at 100.3% of the state.

WHAT COULD MOVE THE RATING UP:

- Continued improvement in coverage levels.

WHAT COULD MOVE THE RATING DOWN:

- Declining coverage levels.

KEY STATISTICS

2009 population (estimate): 127,029 (+9.2% since 2000)

Payout of principal (10 years): 64%

FY 2009 Debt Service Coverage: 5.19 times

FY 2010 Debt Service Coverage: 5.55 times

FY 2010 MADS Coverage: 5.52 times

Unemployment (as of 11/2010): 9.1%

Median Family Income: \$39,589 (as a % of state: 89.5%; as a % of US: 79.1%)

Per Capita Income: \$18,853 (as a % of state: 100.3%; as a % of US: 87.3%)

Parity debt outstanding (COPs); \$16.2 million

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Columbia's rating was assigned by evaluating factors believed to be relevant to the credit profile of the issuer such as i) the business risk and competitive position of the issuer versus others within its industry or sector, ii) the capital structure and financial risk of the issuer, iii) the projected performance of the issuer over the near to intermediate term, iv) the issuer's history of achieving consistent operating performance and meeting budget or financial plan goals, v) the nature of the dedicated revenue stream pledged to the bonds, vi) the debt service coverage provided by such revenue stream, vii) the legal structure that documents the revenue stream and the source of payment, and viii) and the issuer's management and governance structure related to payment. These attributes were compared against other issuers both within and outside of the city's core peer group and Columbia's ratings are believed to be comparable to ratings assigned to other issuers of similar credit risk.

REGULATORY DISCLOSURES

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parties involved in the ratings, public information, and confidential and proprietary Moody's Analytics information.

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