

Summary:

Bellaire, Texas; General Obligation

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Credit Profile		
US\$6.5 mil GO bnds ser 2011 dtd 08/15/2011 due 02/15/2036		
<i>Long Term Rating</i>	AAA/Stable	New
Bellaire GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to Bellaire, Texas' series 2011 general obligation (GO) bonds. At the same time, Standard & Poor's affirmed its 'AAA' long-term rating and underlying rating (SPUR) on the city's existing GO debt. The outlook on all ratings is stable.

The ratings reflect our view of the city's:

- Mature, almost entirely residential community that participates in the deep and diverse Houston MSA,
- Extremely strong wealth and very strong income levels,
- Competitive property tax rate, and
- Historically very strong financial position.

An ad valorem tax levied on taxable property within the city secures the bonds. Officials will use bond proceeds primarily to fund costs associated with improving, repairing, replacing, or extending the city's street, sidewalk, and drainage facilities.

The 3.6 square-mile Bellaire, with an estimated population of 17,611, is a home-rule municipality located seven miles from Houston's central business district. City residents have access to employment opportunities throughout the deep and diverse Houston MSA. The city has no vacant or undeveloped land, but its location puts a premium on values. Despite the city's small size, taxable assessed valuation (AV) for fiscal 2011 is approximately \$3.221 billion, or \$179,129 per capita, which we consider extremely strong. Preliminary fiscal 2012 AV as of May 18, 2011 fell slightly to approximately \$3.217 billion given a decline in the overall economy. According to more recent information from city officials, however, taxable AV, particularly commercial values, will be flat or increase slightly. The 10 leading taxpayers are very diverse, in our view, and account for 8.6% of AV, reflecting no concentration in the property tax base. The city's per capita income is very strong, in our view, at 255% and 238% of state and national levels, respectively. Median household effective buying income is very strong, in our opinion, at 218% of the national average.

Bellaire's financial position remains very strong, in our view. Following a planned drawdown of about \$127,000, the city closed fiscal 2010 with an unreserved general fund balance of approximately \$3.6 million, or 25% of operational expenditures, which we consider very strong. General fund revenues consist primarily of property tax collections (57% of fiscal 2010 general fund revenues) and sales tax revenues (15%). The city's ad valorem tax rate is lower than those of neighboring cities, at 39.99 cents per \$100 of AV. City officials project ending fiscal 2011 with a general fund surplus of approximately \$350,000. The budget for fiscal 2012 is balanced.

The city's annual pension cost to the Texas Municipal Retirement System (TMRS) increased to \$2.87 million in fiscal 2010, or about 19.7% of governmental fund expenditures, from \$1.42 million in fiscal 2008. The city is phasing in the annually increasing annual required contribution (ARC) and made 53.4% of its ARC in fiscal 2010. The pension actuarial value of assets as a percentage of the actuarial accrued liability was 75.3% funded as of Dec. 31, 2010.

Standard & Poor's deems Bellaire's financial management practices "strong" under its Financial Management Assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable.

In our opinion, the city's overall net debt burden is high at approximately \$11,113 per capita, but moderately high at 6.2% of market value, due mostly to the large amount of overlapping debt from Harris County, Houston Independent School District, and Houston Community College District. The city's debt amortization schedule is somewhat front-loaded, with 48% of principal retiring in the next 10 years and all debt currently scheduled to retire by 2036. Debt service carrying charges for fiscal 2010 were elevated, in our view, at 27% of expenditures. We understand city officials plan to potentially issue additional bonds in about 18 months for further street and drainage improvements.

Outlook

The stable outlook reflects our expectation that the city will adopt structurally balanced budgets while addressing identified capital needs. However, we could take a negative rating action if the city issues additional debt without commensurate tax base growth, leading to an increased overall net debt burden.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of July 29, 2011)		
Bellaire GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Bellaire GO (CIFG)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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