STANDARD &POOR'S

PUBLIC FINANCE

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Credit Profile

US$37.55 mil Tax-Exempt Venue Project Revenue Refunding Bonds, (Combined Venue Tax), Series 2010, dated 11/15/2010, due 08/15/2049

Long Term Rating	A/Stable	New

Outstanding Tax-Exempt and Taxable Venue Project Revenue and Refunding Bonds, (Motor Vehicle / Combined Venue), Various Series, (BHAC)

Unenhanced Rating	A(SPUR)/Stable	Upgraded

Outstanding Tax-Exempt Venue Project Revenue Bonds, (Motor Vehicle / Combined Venue), Series 2009, (BHAC)

Unenhanced Rating	A(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) to 'A' from 'A-' on Bexar County, Texas' venue project revenue bonds outstanding. The raised rating is based primarily on what we expect will now be a reduced issuance related to the 2008 project. The county has contributed $234.24 million to date, which has reduced the total amount of parity debt that can be issued.

At the same time, Standard & Poor's assigned its 'A' rating to the county's series 2010 combined venue tax project revenue refunding bonds. The outlook on all ratings is stable.

The ratings reflect our view of the county's:

- Strong regional business and convention and tourism base, and
- Strong debt service coverage levels.

The preceding credit strengths are offset in part by our view of:

- Permissive legal provisions, which include an additional bonds test of 1.25x average annual debt service, and a debt service reserve funded at 1x average annual debt service. However, the total amount of bonds issued cannot exceed the $415 million of Motor Vehicle Rental Tax (MVRT) and venue tax bonds authorized by the voters;

- Credit risks associated with revenues derived from taxes on discretionary and potentially cyclical items, such as hotel rooms and rental cars; and
- Additional capital needs related to the venue tax projects approved by the voters in May 2008, with the projected amount remaining to be issued totaling approximately $180 million.

County officials will use proceeds from the combined venue tax bonds to refund a portion of the county's currently outstanding debt obligations. The refunded obligations were originally issued to provide short-term interim financing for authorized 2008 combined venue tax projects, including youth athletic facilities, river improvements, rodeo and arena enhancements, and a performing arts center. Those bonds are now being refunded into long-term financing to take advantage of low costs of borrowing resulting from historically low long-term interest rates currently available in the tax-exempt market. County officials will also use bond proceeds to fund a debt service reserve fund. The combined venue tax refunding bonds are secured by a first lien on a 1.75% hotel occupancy tax (HOT) and a junior lien on revenues generated by a 5% MVRT levied within the county.

Bexar County is located in south-central Texas. Its population of about 1.4 million makes it the state's fourth-most populous county. San Antonio ('AAA' general obligation debt rating) is the county's seat and main economic engine. Although military and tourism have long been the county economy's anchors, medical and biomedical companies are now the leading force, contributing an estimated $16.3 billion to the area economy. In addition, in late 2006 the Toyota Motor Corp. opened a new truck manufacturing facility in San Antonio, bringing nearly 2,100 new jobs to the area.

Pledged HOT revenues are highly susceptible to fluctuations during periods of economic decline. During the last recession, pledged revenues declined 0.5% in fiscal 2001 and 3.2% in fiscal 2003. From fiscal 2004 to fiscal 2008, pledged revenues increased by a strong 44% to $13.6 million. For fiscal 2009, collections of HOT revenues declined by a significant 18%. In our opinion, however, the San Antonio tourism and convention market remains one of the most competitive in the nation, and we anticipate pledged revenue growth once the national economy rebounds. HOT revenues for the past six months of fiscal 2010 are up over fiscal 2009. Moreover, year-to-date HOT revenues for fiscal 2010 include 10 months of data, which when projected on an annualized basis indicate an approximately 7.4% increase in revenues. When MVRT available revenues are included, coverage of the projected maximum annual debt service (MADS) is strong at 3.71x based on fiscal 2009 revenues, and 4.02x based on projected fiscal 2010 revenues.

While the permissiveness of the additional bonds test could result in a decline in debt service coverage, bondholders benefit from a closed flow of funds, which requires excess collections to be deposited in a Capital Improvement and Coverage Account (CICA). Funds deposited in the CICA must be used first to cure any deficiency in the debt service account and the debt service reserve account, which provides additional protection against unexpected declines in pledged revenues. Furthermore, the funds in the CICA can only be used to fund the projects authorized by the voters in the 2008 election, or to make debt service payments on the bonds issued to fund those projects, which provides county officials with a significant degree of flexibility to manage the sizable capital program. As of Sept. 30, 2010, the CICA had a balance of $52.5 million from accumulated excess collections, which exceeds the projected MADS after all authorized bonds are issued.

In our opinion, county officials have significant flexibility to manage the projects authorized as part of the venue tax extension. To date, the county has contributed $234.24 million toward the 2008 project. In addition, we understand that county officials plan to issue additional debt through 2014, but that debt service coverage will not decline significantly; these issuances could potentially complete the total authorized project, according to management.

Outlook

The stable outlook reflects our expectation that regional convention and tourism activity will continue to provide an overall strong and growing pledged revenue base, despite recurring fluctuations due to changes in the economic cycle. The outlook also reflects our opinion that tax revenues will likely allow for the maintenance of at least adequate coverage of MADS, despite future debt issuances and the permissive additional bonds test.

Related Criteria And Research

USPF Criteria: Special Tax Bonds, June 13, 2007

Moody's
INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS A1 RATINGS TO BEXAR COUNTY'S TAX-EXEMPT VENUE PROJECT REVENUE REFUNDING BONDS $37,550,000 COMBINED VENUE TAX, SERIES 2010 AND $26,425,000 MOTOR VEHICLE RENTAL TAX, SERIES 2010

Global Credit Research - 12 Nov 2010

A1 RATING AFFECTS $159.05 MILLION IN COMBINED VENUE TAX DEBT AND $60.3 MILLION IN MOTOR VEHICLE RENTAL TAX DEBT, INCLUDING CURRENT ISSUES

County
TX

Moody's Rating

ISSUE		RATING
Tax-Exempt Venue Project Revenue Refunding Bonds (Motor Vehicle Rental Tax), Series 2010		A1
Sale Amount	$26,425,000	
Expected Sale Date	11/16/10	
Rating Description	Revenue	
Tax-Exempt Venue Project Revenue Refunding Bonds (Combined Venue Tax), Series 2010		A1
Sale Amount	$37,550,000	
Expected Sale Date	11/16/10	
Rating Description	Revenue	

Opinion

NEW YORK, Nov 12, 2010 -- Moody's Investors Service has assigned an A1 rating to Bexar County's $26.425 million Tax-Exempt Venue Project Revenue Refunding Bonds (Motor Vehicle Rental Tax), Series 2010 and $37.55 million Tax-Exempt Venue Project Revenue Refunding Bonds (Combined Venue Tax), Series 2010. At the same time, Moody's has affirmed the A1 rating on the County's $121.5 million in outstanding combined venue tax debt, $33.9 million in outstanding motor vehicle rental tax debt. Proceeds from the bonds will be used to refund short term debt that was issued in August 2010 to continue various special improvements including arena and ground improvements, amateur sports facilities and performing arts and cultural facilities.

RATING RATIONALE

The combined venue tax bonds are secured by a senior lien on the County's 1.75% Hotel Occupancy Tax (HOT) and a junior lien pledge on the County's 5% Motor Vehicle and Rental Tax (MVRT). Additionally, there was a series of debt issued in 2008 that carries these combined venue taxes as well as a pledge on license fees which total $1.3 million annually. The motor vehicle rental tax debt has a senior lien pledge on the 5% tax. The rating assignments reflect the County's economy that supports adequate debt service coverage although we note that the pro-forma coverage is very thin given this substantial additional debt. The A1 rating also takes into consideration adequate legal covenants.

DECREASE IN PLEDGED REVENUES FOR FISCAL 2009 FOLLOWED BY GROWTH IN FISCAL 2010

The pledged 1.75% hotel occupancy tax (HOT) is collected by the city of San Antonio (rated Aaa) and the 5% motor vehicle and rental tax (MVRT) is collected by the state. The taxes were originally approved by voters in 1999 in order to construct various venues including the AT&T arena which hosts the Spurs basketball team. The county began collecting these taxes in 2000 and Moody's notes that revenues decreased in 2001 and 2003 following September 11th. Between the 2004 and 2008 fiscal years, the HOT tax increased an average of 7% annually and the MVRT increased an average of 5% annually. However, given the each tax's high sensitivity to fluctuations in national and local economic trends, the HOT revenue decreased 15% and the MVRT decreased 6% in 2009, respectively, from 2008 collections. In fiscal 2010, motor vehicle rental tax revenues increased 5.9% over the prior year-to-date revenues and hotel occupancy tax revenues increased 6.1% over the prior year reflecting strong gains in the last half of the year to offset losses that occurred at the beginning.

FUTURE DEBT ISSUANCES WILL DEPEND ON PLEDGED REVENUES

In fiscal year 2008, the HOT revenues equaled $13.7 million and MVRT revenues were $7.0 million for a total combined venue tax of $20.7 million. However, in fiscal 2009 the HOT revenue decreased to $11.56 million and the MVRT decreased to $6.6 million. Favorably, both taxes rebounded from fiscal 2009 lows and increased to $12.2 million and $7.0 million, respectively, in fiscal 2010. With the current refunding, the annual debt service on the motor vehicle rental tax debt increases to $3.2 million in fiscal 2011 and then ramps up to $5.7 million annually beginning in fiscal 2016. On a pro forma basis, fiscal 2010 revenues provide a weak 1.23 times coverage on $5.7 million in debt service but a stronger 2.15 times coverage for the fiscal 2011 payment. Excess revenues from 2010 collections, after paying the senior lien MVRT debt, was $1.3 million.

Combining the $1.3 million in excess revenues from the MVRT with the $12.2 million HOT revenues collected in fiscal 2010 provides $13.5 million in pledged revenues for the combined venue tax debt. Additionally, one series of the combined venue tax debt receives an additional pledge of $1.3 million in Spurs contributions that is available for debt service and interest. Total pledged revenues for the combined venue tax debt is estimated to be $16 million once the MVRT debt ramps up. With the current refunding, maximum annual debt service on the combined venue tax is expected to be $16.8 million and occurs in fiscal 2049; revenues of $16 million would provide a weak 1.05 times coverage. We note that annual debt service payments are structured below $12.6 million through fiscal 2017 and coverage using 2010 revenues ranges from 1.85 times in fiscal 2011 to 1.32 times in fiscal 2017. Revenue growth will be necessary to maintain coverage levels consistent with the current rating and future debt plans could leverage the combined venue taxes to a level that is not consistent with the A1 rating level. Future analysis will consider how new debt will impact the coverage levels of the revenue streams.

PLANS FOR FUTURE DEBT

In May 2008, the county received approval from voters to issue up to $415 million in projects secured by venue taxes; however, $125 million of this debt will be secured by the flood control tax rather than the venue taxes. The plans include a total of $80 million to be secured by the MVRT for amateur sports facilities with the remaining $210 million to be secured by the combined venue tax. Officials are reviewing the original plan for issuance given the decline in pledged revenues and future debt issuances will be driven by future revenue growth. Future debt plans currently include $40 million in 2012 and $22 million in 2014 secured by the combined venue taxes.

The A1 rating incorporates the combined pledged revenues which are highly correlated. Additionally, the A1 rating reflects Moody's belief that county officials will take into account any variances in pledged revenues when issuing future debt. Future debt issuance plans absent this consideration could result in pressure on the rating.

SIZABLE AND DIVERSE TAX BASE; GROWTH HAS SLOWED BUT CONTINUES

The hospitality industry has a significant impact on the local economy. As a tourist destination that is easily accessible, Moody's believes that the county's tourism related activity will continue to perform well in spite of the recent economic slowdown. The top ten contributors to HOT collections, most of which are downtown hotels, comprised 35% of total HOT revenues in fiscal 2009. Despite increasing the number of rooms available from 23,790 in fiscal 2000 to 39,000 in fiscal 2009, a 30% increase, the occupancy rate has remained consistent averaging 65%. The consistent occupancy rate, despite increased rooms, reflects the favorable demand for rooms related to increased tourism.

The county's tax base expansion has been solid, averaging 10.3% annually over the last five years. In fiscal 2009, the tax base increased 9% to a sizable $95 billion. Tax base growth has been driven by a mix of residential, commercial, retail, and industrial development. However, in fiscal 2010, the growth rate was a slower 1.3% to $98.5 billion which was the net result of new construction and growth in commercial values which offset the loss in existing residential values. Although the county's per capita income is low at $18,363 (93.6% of the state), Moody's recognizes the large presence of military and tourism related jobs will affect the demographic profile of this area. However, the growth and vitality of the county continue to spur additional tourism and convention business. A new JW Marriott with over 1,000 rooms, at Cibolo Canyons, has recently opened along with the two new PGA Village golf courses. The new hotel combined with ongoing improvements to existing hotels throughout the county will likely bolster the venue tax collections over the near to medium term.

SATISFACTORY LEGAL PROVISIONS

The additional bonds test is adequate and consistent with the expectations at this rating level requiring 1.25 times average annual debt service on both the combined venue tax and the senior lien on the MVRT. The debt service reserve for both securities is equal to average annual debt service and will be cash funded.

Outlook

The stable outlook on the long term A1 ratings reflects our belief that the pledged revenues will continue to be sufficient to maintain debt service coverage consistent with the current rating category. Additionally, the outlook takes into consideration the county's strong and diverse economy supporting long term growth in pledged revenues.

WHAT COULD CHANGE THE RATING - UP

Absence of additional debt supporting improved coverage levels

Growth in revenues that support improved coverage levels

WHAT COULD CHANGE THE RATING - DOWN

Additional debt that leverages the revenue stream resulting in coverage falling below bond covenants

Deterioration in pledged revenues that weakens already narrow debt service coverage

KEY STATISTICS:

2010 1.75% HOT revenues: $12.2 million

2010 5% MVRT revenues: $7.0 million

HOT five year average growth: 3.4%

MVRT five year average growth: 3.5%

Combined Venue Tax MADS coverage (2049): 1.05 times

MVRT Senior Lien MADS coverage (2026): 1.16 times

Post-sale Combined Venue Tax bonds: $159.05 million

Post-sale Senior Lien MVRT bonds: $60.3 million

The rating was reviewed 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) the issuer's management and governance structure related to payment. These attributes were compared against other issuers both within and outside of the utility's core peer group and the utility's rating is believed to be comparable to ratings assigned to other issuers of similar credit risk.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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