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RATINGS SERVICES

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Summary:
Mount Pleasant, Texas; General Obligation

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Table Of Contents

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Summary:

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Credit Profile		
US$7.16 mil comb tax and rev certs of oblig ser 2012 dtd 12/15/2012 due 05/15/2032		
Long Term Rating	A+/Stable	New
Mount Pleasant GO (ASSURED GTY)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'A+' long-term rating to Mount Pleasant, Texas' series 2012 combination tax and revenue certificates of obligation. At the same time, we affirmed our 'A+' underlying rating (SPUR) on the city's existing certificates of obligation. The outlook on all ratings is stable.

The rating reflects our view of the city's:

- Stable, but limited tax base;
- Very strong financial position; and
- Moderate debt burden, coupled with limited future capital needs requiring the issuance of additional debt.

The preceding strengths are partly offset by our view of the city's:

- Somewhat limited economic employment base; and
- Adequate, but below average wealth and incomes.

The certificates are secured by the levy and collection of ad valorem taxes in the city as provided by law, and from a limited pledge, not to exceed $1,000, of surplus revenues of the city's waterworks and sewer system. Officials plan to use certificate proceeds for road improvements.

Mount Pleasant, with a population of approximately 15,564, is in northeastern Texas at the intersection of Highway 271 and State Highway 49, about 115 miles northeast of Dallas. The city serves as the county seat of Titus County ('A/Stable' GO rating). Pilgrim's Pride, who filed for bankruptcy in December 2008, has been purchased by JBS USA Holdings Inc. and continues to serve as the city's largest employer and taxpayer. For October 2012, the county's unemployment of 6.7% was on par with the state's 6.6% and below the national average of 7.9%. Incomes for the city remain adequate; albeit below average, in our view, with median household effective buying income at 73% and 72%, respectively, of the state and nation's average.

The city's tax base declined by 3% in fiscal 2012 compared to fiscal 2011, but has since improved by 3.2% in fiscal 2013 to $818.7 million. We believe the tax base is diverse; the 10 leading taxpayers account for 21.2% of total assessed value (AV). Market value per capita, an indication of wealth, is adequate, in our view, at $52,603 for fiscal year 2013.

Mount Pleasant has maintained what we consider a very strong financial position over the past five years, with reserves above 26% of expenditures. Officials adopted a balanced budget for fiscal 2013 and maintained their tax rate of 31.65 cents per $100 of AV. At this time, they are projecting a small surplus due to tight expenditure controls, vacant position savings, and higher-than-budgeted sales tax revenues. Unaudited results for fiscal 2012 reflect a $200,000 surplus due to higher-than-budgeted sales tax revenues, bringing the total assigned and unassigned fund balance to $2.3 million, or, in our opinion, a very strong 30.4% of expenditures.

Officials ended fiscal 2011 with a decline in the total assigned and unassigned fund balance due to lower-than-budgeted sales tax revenues, bringing the fund balance to $2.1 million, or what we consider a very strong 26.9% of expenditures. Sales tax revenues (37.7%), property taxes (29.2%), and fines and forfeitures (18.7%) are the city's primary revenue sources.

Standard & Poor's deems Mount Pleasant's financial management practices "good" under its Financial Management Assessment methodology, indicating that financial practices exist in most areas, but governance officials might not formalize or regularly monitor all of them. Management presents monthly revenue and expenditure reports to the city council. In addition, the city has a comprehensive investment management policy and provides quarterly investment reports to city officials. Officials have a formal target to maintain 16.67% of operations in reserve. The city, however, lacks formalized policies in some areas, including long-term financial planning.

After accounting for self-support, we believe the overall net debt burden is moderate at $2,676 per capita or 5.1% of market value. Debt service carrying charges remain low at 2% of fiscal 2011 expenditures. Amortization is what we consider average, with 53% of principal retired in 10 years. At this time, officials have no plans to issue additional debt in the next 12 to 24 months.

Mount Pleasant provides pension benefits through a nontraditional, joint contributory, hybrid-defined benefit plan: the Texas Municipal Retirement Plan (TMRS). The city's TMRS fund was 74.4% funded as of Dec. 31, 2010, resulting in a $5.5 million unfunded actuarial accrued liability or $369 per capita. The city provides postemployment medical care for retirees through a single-employer defined-benefit medical plan on a pay-go basis. Mount Pleasant made $617,305 million or 5.9% of its annual required contribution or 5.0% of expenditures, in fiscal 2011. The city's unfunded actuarial accrued liability totaled $2.8 million or $182 per capita, as of Sept. 31, 2011.

Outlook

The stable outlook reflects the stable nature of the city's economy, as well as the city's strong financial reserves. A moderate debt burden, adequate wealth and income levels, preclude a higher rating at this time. While we do not expect to change the rating during the two-year outlook, a substantial deterioration in the city's financial position could lead us to take a negative rating action.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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