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NEWS RELEASE

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Town of Prosper credit rating elevated

Jump from A to Aa reflects strong economic potential

PROSPER (October 14, 2010) The Town of Prosper's credit rating has been reassigned to a high quality investment grade by Moody's Investors Service. The service, used by borrowers and lenders to rate the risks associated with acquiring and eliminating debt, changed the rating from A1 to Aa3 for the Town's general obligation debt. Following the tax note sold on October 12, 2010, the Town's total parity debt stands at \$38.2 million; this includes \$24.3 million payable from ad valorem taxes and \$13.9 million payable from Utility System revenues, according to Finance Director Matthew Garrett.

Proceeds from the recent tax note totaling \$2.045 million will pay for several capital projects, including the creation of the Town's dispatch center and purchasing two ambulances.

"The new rating means that the Town could issue debt for approximately 10 basis points lower than at the former rating. On a \$10 million bond, this would save the Town around \$128,000 in total interest assuming current market rates. Further, earning a rating subject to very low credit risk means the Town can sell debt on its own credit now without having to rely on a third party guarantee, which results in a lower cost of borrowing," he said.

Moody's Investors Service has a number of rating classifications for municipal bonds, and generally, the lower the risk, the higher the rating. Moving from an "A" rating to the "Aa" rating is extremely beneficial to the borrowing entity, since it means that lenders can feel assured that the entity, in this case the Town of Prosper, is demonstrating prudent management of its finances, is highly likely to be in a strong financial position, and has exhibited an excellent payment history. Moody's highest rating is Aaa.

In announcing the rating upgrade, financial analysts at Moody's cited "the Town's continuously growing tax base characterized by favorable socioeconomic indices and ample financial reserves." Elaborating on reserve levels, analysts stated, "Given management's plans to continue growing General Fund reserves in line with budgetary expansion, we believe the town's financial operations will remain solid over the medium term."

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The analyst report that accompanied the elevated rating announcement noted the 23 percent growth in the Town's tax base; the residents' wealth levels at almost 150 percent of the state levels; the median home value of \$333,000; and the low unemployment rate, well below the state and national averages. It also made special notice of the fact that about 80 percent of the Town's land remains to be developed. These factors taken together, said the report, made Prosper an ideal location for continued growth and development.

Significantly, the analysts were highly impressed with the conservative fiscal management that the Town has demonstrated over the recent past. Mentioned prominently in the report were a number of notable financial practices. Included were the Town's consistent posting of surpluses in its annual operation, citing the Fiscal 2009 General Fund balance of \$4.4 million, expected to rise to \$4.6 million in Fiscal 2010. Of special note was the fact that the Town's revenues exceeded budget by five percent. The Town's budget planners expect Fiscal 2011 to also close with a surplus.

Town Manager Mike Land credited the Town Council's vigilance on the municipality's expenses, along with staff efforts at holding themselves accountable for good financial stewardship.

"It's a real team effort, the Council and the staff working together to ensure that Prosper residents and businesses that pay taxes get the most value for their dollar," said Land.

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ABOUT THE TOWN OF PROSPER – The Town of Prosper is a fast-growing suburb with small town charm, located 30 miles north of Dallas at the crossroads of U.S. 380, Preston Road and the Dallas North Tollway in Collin and Denton Counties. Prosper sits on 27 square miles and is home to more than 9,000 people. A home-rule municipality, governed by a council-manager form of government, the town has full-time fire and police departments, including its own dispatch service. As the Town grows to its projected build-out population of 90,000 residents, Prosper's vision is to remain a "Place Where Everyone Matters."