

RatingsDirect®

Summary:

Sumner County, Tennessee; General Obligation

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Credit Profile

US\$69.4 mil GO Sch and Pub Imp Bnds ser 2015 due 12/01/2035

Long Term Rating AA+/Stable New

Sumner Cnty GO

Long Term Rating AA+/Stable Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Sumner County, Tenn.'s series 2015 general obligation (GO) school and public improvement bonds. At the same time, Standard & Poor's affirmed its 'AA+' long-term rating on the county's GO debt outstanding. The outlook is stable.

The rating reflects our assessment of the following factors of the county:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies;
- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 31% of operating expenditures;
- Very strong liquidity, with total government available cash of 94.4% of total governmental fund expenditures and 4.4x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges of 21.3% and net direct debt that is 251.5% of total governmental fund revenue and low overall net debt at less than 3% of market value and rapid amortization with 75.9% of debt scheduled to be retired in 10 years; and
- Very strong institutional framework score.

The bonds are secured by the county's full faith and credit pledge. Bond proceeds will be used to fund various capital projects.

Strong economy

We consider Sumner County's economy strong. Sumner County, with an estimated population of 167,264, is located in the Nashville-Davidson-Murfreesboro-Franklin, Tenn. MSA, which we consider to be broad and diverse. The county has a projected per capita effective buying income of 87.4% of the U.S. level and per capita market value of \$87,014. Overall, the county's market value fell by 3.0% over the past year to \$14.6 billion in 2015. The county unemployment rate was 6.2% in 2013.

Primary local employers include Sumner County Board of Education (approximately 5,570 employees), Sumner Regional Medical Center/Highpoint Health System (1,012), the county (847), and Volunteer State Community College (800), in addition to a wide range of other manufacturing and distribution companies. County officials report that the

local housing market is doing very well, with homes selling rapidly, and that overall the county is continuing to grow at a fast pace.

Strong management

We view the county's management as strong, with "good" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Highlights include our view of management's regular monthly monitoring of key revenues and expenditures, conservative budget assumptions on which it bases revenue and expenditure assumptions, a formal 10-year capital improvement program, and a formal investment policy with investment updates provided monthly.

Strong budgetary performance

Sumner County's budgetary performance is strong in our opinion, with slight surplus operating results in the general fund of 1.4% of expenditures, and surplus results across all governmental funds of 2.1% in fiscal 2014.

In our analysis we have adjusted both general fund expenditures and total governmental expenditures to net out significant nonrecurring expenditures, such as the spending down of previously deposited bond proceeds. For fiscal 2015, the operating budget reflects a deficit of about 5%, as does the total governmental budget. However, county officials report that the budget is trending positively for the year, despite certain planned uses of fund balance. Sales tax revenues are up more than 2% over the initial budgeted amount, property taxes are up over last year, and building permits have increased for the year as well. The county also raised the tax rate this year, for a total tax rate of \$2.50 per \$100 of AV from \$2.0208. Consequently, the county expects the general fund to end fiscal 2015 at least at break-even and total governmental funds to be stable and maybe even increase.

Very strong budgetary flexibility

Sumner County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 31% of operating expenditures, or \$14.3 million.

For fiscal 2015, the county had adopted a budget that would use about \$5 million of excess reserves; however, the county budgets very conservatively, and at this point, county officials expect to end the year with approximately the same level of general fund reserves as the prior year, due to their expectation of at least break-even performance. As such, we expect the county's budgetary flexibility to remain very strong.

Very strong liquidity

In our opinion, Sumner County's liquidity is very strong, with total government available cash of 94.4% of total governmental fund expenditures and 4.4x governmental debt service in 2014. In our view, the county has strong access to external liquidity if necessary.

Adequate debt and contingent liability profile

In our view, Sumner County's debt and contingent liability profile is adequate. Total governmental fund debt service is 21.3% of total governmental fund expenditures, and net direct debt is 251.5% of total governmental fund revenue. Overall net debt is low at 1.5% of market value and approximately 75.9% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

Sumner County's combined pension and other postemployment benefit contributions totaled 8.9% of total governmental fund expenditures in 2014. The county made its full annual required pension contribution in 2014.

The county provides all employees with retirement benefits through the Tennessee Consolidated Retirement System. The required contribution is determined by actuarial valuation. The county also provides postemployment benefits on a pay-as-you-go basis.

Very strong institutional framework

The institutional framework score for Tennessee counties is very strong. See the institutional framework score for Tennessee.

Outlook

The stable outlook reflects our expectation that the county will continue to benefit from its participation in the broad and diverse Nashville-Davidson-Murfreesboro-Franklin, Tenn. MSA, and that county officials will continue to maintain the county's very strong financial position. Although we do not expect to change the rating within the two-year outlook time frame, a material weakening of the county's budgetary performance could place downward pressure on the rating. Conversely, a trend and maintenance of significant strengthening of the county's economic indicators and an improvement in the county's debt and contingent liabilities profile could lead to positive rating action.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Tennessee Local Governments

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