

RatingsDirect®

Summary:

Sumner County, Tennessee; General Obligation

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Credit Profile

US\$30.0 mil go sch and pub imp bnds ser 2013 due 12/01/2023

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 2013 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 on all ratings is stable.

The ratings reflect our view of the county's:

- Deep and diverse economic base of its own, even beyond its participation in the Nashville metropolitan statistical area (MSA);
- Very strong financial position, further supported by good financial management practices that make reserve levels likely to be sustainable at high levels; and
- Low overall net debt burden, coupled with rapid GO debt amortization.

An unlimited ad valorem property tax pledge secures the bonds. The county will use bond proceeds primarily to fund the construction and equipment of various public works projects, including, but not limited to, the county's schools, jail, and certain buildings.

Sumner County, with a population estimate of 165,363, occupies about 529 square miles as one of the northern counties that form the Nashville MSA. Aside from access to employment opportunities throughout the MSA, county residents have access to a diverse range of local employment opportunities. Primary local employers include: Sumner County Board of Education (approximately 4,402 employees); Sumner Regional Medical Center/Highpoint Health System (943); and Volunteer State Community College (800), in addition to a wide range of other manufacturing and distribution companies. As of March 2013, the county's unemployment rate of 6.3% was below both the state and national rates of 8.1% and 7.6%, respectively. Income levels for the county remain good, in our view. Median household effective buying income stands at about 124% and 106% of the state and nation, respectively. Recent development includes, but is not limited to, the addition of several new retail establishments such as Sam's, the addition of several new distribution and manufacturing facilities, and the expansion of the job force at several existing companies within the county. In addition, Sumner County is also experiencing substantial growth related to infrastructure. The county's estimated market value of approximately \$14.8 billion implies a per capita market value of about \$89,657 for fiscal 2013, which we view as very strong. The county's taxable assessed value (AV) has shown

steady growth historically. The AV grew by a significant 16% in fiscal 2010 due to property revaluations. Since then it has grown by a cumulative 2% from fiscal 2010 to 2013. Given that the next reevaluation will occur next year, the AV for fiscal 2014 will likely include additional growth. The county is not dependent on any of its principal taxpayers.

Sumner County's financial position remains very strong in our view, despite recent draws on the county's general fund, all of which were for planned capital expenditures. Funding capital projects out of excess fund balance is common practice for the county. During fiscal 2012, the most recent audited year for the county, officials drew down on the general fund balance by about \$845,000; this draw resulted in an ending total available general fund balance (a combination of funds classified as assigned and unassigned) of approximately \$12 million, which equals 27.0% of operational expenditures, which we consider very strong. The county's total general fund was approximately \$31.2 million for fiscal 2012, or 70.3% of operational expenditures, which is very strong in our opinion. For the current year, fiscal 2013, sales tax is up 7% year-to-date from last year, and all other major revenues are trending ahead of budget. Planned capital projects this year required the use of about \$6.1 million of fund balance, most of which was classified as committed. Currently, the county expects the impact to the unassigned portion of the general fund will be between zero and negative \$600,000. However, these projections are conservative and officials indicated they could actually close the year with a surplus in the unassigned general fund balance. County officials are currently in the process of finalizing the fiscal 2014 budget, but at this point it is likely that it will include the planned utilization of some general fund balance for planned capital projects. The county's property tax rate remains among the state's lowest rates at about \$2.0208 per \$100 of AV for fiscal 2013.

Standard & Poor's deems Sumner County's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. Highlights include management's:

- Regular monthly monitoring of key revenues and expenditures;
- 10-year capital improvement program; and
- Conservative assumptions, on which it bases revenue and expenditure assumptions.

The county's overall net debt burden is what we deem low at about 1.1% of estimated market value, or approximately \$1,014 per capita. We view the county's debt amortization schedule as rapid, with about 83% of principal retiring over the next 10 years and all debt currently scheduled to retire by 2024. Debt service carrying charges accounted for a high 26.6% of expenditures in fiscal 2012. While management has an aggressive pay-as-you-go capital improvement program, it does not currently expect any additional GO debt for at least the next few years. The county has no variable-rate debt. In addition, it continues to fund its annual required pension contribution (ARC) to the Tennessee Consolidated Retirement System fully. The county's ARC for fiscal 2012 of approximately \$6.37 million represented about 15% of the total governmental expenditures. Although local governments under state law have the option of funding other postemployment benefits through a trust fund, Sumner County, to date, is funding these obligations through pay-as-you-go financing.

Outlook

The stable outlook reflects our expectation that county officials will remain committed to maintaining the county's very strong financial position as Sumner County continues to strategically manage its capital projects through the planned use of fund balance. The outlook also reflects our opinion that the tax base will continue expand and diversify in the near future, based on current development projections. In light of these expectations, we do not foresee changing the rating within the two-year horizon of the outlook.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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