

RatingsDirect®

Summary:

Winder-Barrow Industrial Building Authority, Georgia Barrow County; General Obligation; General Obligation Equivalent Security

Primary Credit Analyst:

Linda Yip, New York (1) 212-438-2036; linda.yip@standardandpoors.com

Secondary Contact:

Timothy W Little, New York (212) 438-7999; timothy.little@standardandpoors.com

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Credit Profile

US\$14.725 mil taxable rev rfdg bnds (Barrow Cnty Econ Dev Proj) ser 2015 due 10/01/2031

<i>Long Term Rating</i>	AA-/Stable	New
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Barrow Cnty GO

<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
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Rationale

Standard & Poor's Ratings Services assigned its 'AA-' rating and stable outlook to Winder-Barrow Industrial Building Authority, Ga.'s series 2015 taxable refunding revenue bonds, issued for Barrow County, and affirmed its 'AA-' rating, with a stable outlook, on the county's general obligation (GO) debt.

The rating on the series 2015 bonds reflects a first-lien pledge of a 1-mill constitutional (property) tax and a second-lien pledge of a 1-mill statutory tax -- a property tax that is separate and distinct from the constitutional tax -- from Barrow County pursuant to an intergovernmental contract between the authority and county. Under the contract, the county's obligation to make payments to the authority in amounts sufficient to pay debt service on the bonds is absolute and unconditional; it will remain in force until the county repays the bonds in full.

Based on the county's fiscal 2014 net operations-and-maintenance tax digest, and assuming a 95% collection rate, which the county has historically exceeded, 1 mill provides about 1.5x average annual debt service coverage (DSC) on the bonds. Due to current DSC, we are not making a distinction between the ratings on the limited-tax pledge and the county's GO debt. If DSC were to decrease, however, we could make a distinction between the two ratings.

We understand officials intend to use series 2015 bond proceeds to refund the authority's series 2006 taxable revenue bonds.

The rating reflects our opinion of the following factors of the county, specifically its:

- Adequate economy, with projected per capita effective buying income at 75.7% and market value per capita of \$62,526, that is gaining advantage from access to a broad and diverse metropolitan statistical area (MSA);
- Adequate management, with "standard" financial policies and practices;
- 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 32% of operating expenditures;

- Very strong liquidity, with total government available cash of 43.6% of total governmental fund expenditures and 3.4x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges of 12.7% of expenditures and net direct debt that is 178% of total governmental fund revenue and rapid amortization with 71.1% of debt scheduled to be retired in 10 years; and
- Very strong institutional framework score.

Adequate economy

We consider Barrow County's economy adequate. Barrow County, with an estimated population of 70,534, is located in the Atlanta-Sandy Springs-Roswell MSA, which we consider to be broad and diverse. The county has a projected per capita effective buying income of 75.7% of the national level and per capita market value of \$62,526. Overall, the county's market value grew by 2.2% over the past year to \$4.4 billion in fiscal 2015. The county unemployment rate was 6.3% in 2014.

The local employment base is stable; it, however, remains somewhat limited, in our opinion, since most residents still commute into Atlanta, Athens, and parts of DeKalb and Gwinnett counties for employment. The county school system is the leading local employer, followed by Chico's FAS (retail goods), Harrison Poultry, and Republic Services (waste collection and disposal). The county, however, is seeing some growth in commercial and industrial sectors with employers such as Chico's expanding operations and Mizuno planning to relocate all of its distribution facilities and manufacturing operations to Barrow County. In addition to expanding the local employment base, this growth will contribute to the continued stability of the county's property tax base, which averaged annual growth of about 2.2% over the past three fiscal years.

Adequate management

We view the county's management as adequate, with "standard" financial policies and practices under our Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some but not all key areas.

Budget amendments take into account at least three years' historical data, and they factor in current economic trends. Management monitors financial performance monthly, if not more frequently, and updates the board quarterly. Quarterly reports include year-to-date results and how they compare to the budget. Should any issues occur, the board will determine if any budget amendments or adjustments are needed. The county also maintains a formal, rolling five-year capital improvement plan. The plan identifies capital needs in each fiscal year and proposed funding sources. The county does not have its own investment policy, but it adheres to state guidelines. In April 2015, officials amended and adopted a formal policy that requires the maintenance of unassigned general fund balance at no less than two months' expenditures, or approximately 20%, with a minimum target of three months', or 30%. If reserves decrease to less than two months, the county will make it a priority in the next budget year to replenish fund balance back to the minimum level. The county does not perform any multiyear projections on operating revenue and expenditures, and it currently lacks a debt management policy.

Strong budgetary performance

Barrow County's budgetary performance is strong, in our opinion, with slight surplus operating results in the general fund of 1.5% of expenditures, and surplus results across all governmental funds of 7.8% in fiscal 2014.

The county posted positive operating results in the general and total governmental funds over the past three fiscal years. After adjusting for recurring transfers to Barrow County Industrial Building Authority and Barrow County Joint Development Authority, fiscal 2014 closed with a general fund surplus of \$489,000 and a total governmental fund surplus of \$3.4 million. According to officials, year-to-date results indicate that fiscal 2015 performance is better than budgeted and that the county could post additional operating surpluses by fiscal year-end.

Very strong budgetary flexibility

Barrow County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 32% of operating expenditures, or \$10.7 million.

Due to current performance indicators, officials expect to end fiscal 2015 with another surplus. Therefore, we expect reserves to remain very strong.

Very strong liquidity

In our opinion, Barrow County's liquidity is very strong, with total government available cash of 43.6% of total governmental fund expenditures and 3.4x governmental debt service in fiscal 2014. In our view, the county has strong access to external liquidity if necessary.

Adequate debt and contingent liability profile

In our view, Barrow County's debt and contingent liability profile is adequate. Total governmental fund debt service is 12.7% of total governmental fund expenditures, and net direct debt is 178% of total governmental fund revenue. Approximately 71.1% of the direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor.

The county does not hold any direct-purchase or variable-rate debt, and it has not entered into any swaps. Currently, the county does not plan to issue any new debt over the next two years.

Barrow County's combined pension and other postemployment benefits (OPEB) contributions totaled 4.1% of total governmental fund expenditures in fiscal 2014. The county made 94% of its annual required pension contribution in fiscal 2014.

The county contributes to the Georgia Association of County Commissioners' defined-benefit plan, which was 79.8% funded as of Jan. 1, 2014. The county has contributed the full recommended pension contribution in each of the past three fiscal years. The county funds OPEB contributions through pay-as-you-go financing.

Very strong institutional framework

The institutional framework score for Georgia counties is very strong.

Outlook

The stable outlook reflects Standard & Poor's opinion of the county's consistent financial performance that has contributed to what Standard & Poor's considers very strong budgetary flexibility. The outlook also reflects the county's very strong liquidity with access to a broad and diverse metropolitan economy. We do not expect to raise the rating during the two-year outlook period because of the county's economic profile. We also do not expect to lower the

rating unless budgetary performance and flexibility were to deteriorate significantly.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002

Related Research

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

Ratings Detail (As Of May 13, 2015)		
Barrow Cnty GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Winder-Barrow Indl Bldg Auth, Georgia		
Barrow Cnty, Georgia		
Winder-Barrow Indl Bldg Auth (Barrow Cnty) (Barrow Cnty Economic Dev Proj) ser 2006		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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