

# RatingsDirect®

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## Summary:

# Broward County, Florida; General Obligation

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## Summary:

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### Credit Profile

Broward Cnty GO

*Long Term Rating*

AAA/Stable

Upgraded

## Rationale

Standard & Poor's Ratings Services raised its rating on Broward County, Fla.'s general obligation (GO) bonds to 'AAA' from 'AA+' based on its recently released local GO criteria. The outlook is stable.

A pledge of the county's full faith credit and taxing power secures the GO bonds.

The rating reflects our assessment of the following factors:

- Strong economy, which benefits from participation in the broad and diverse economy of Miami-Fort Lauderdale-West Palm Beach metropolitan statistical area (MSA);
- Very strong budgetary flexibility with 2012 audited reserves at 25.6% of expenditures;
- Adequate budgetary performance due to a proactive management team that has cut expenditures in response to revenue declines;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Very strong management with strong financial policies; and
- Very strong debt and contingent liabilities position.

### Strong economy

We consider Broward County's economy to be strong with participation in the broad and diverse Miami-Fort Lauderdale-West Palm Beach MSA. The county's unemployment rate averaged 7.4% in 2012 and is showing signs of improvement; the July 2013 unemployment rate averaged 6.2%, down from 8% the same month a year prior. The county has projected per capita effective buying income of 108.2% of the U.S. and its per capita market value was \$105,481 in fiscal 2014. The county's taxable value is once again growing following a recent period of steep declines; it increased 0.8% year-over-year in fiscal 2013 and 4.1% in 2014 to \$132.1 billion. Management expects the growth trend to continue over the next five years due, in part, to several large construction projects underway. The fiscal 2014 market value increased 4.4% year-over-year to \$185.6 billion.

### Very strong budget flexibility

In our opinion, budgetary flexibility remains very strong with no plans to significantly spend down reserves. Unaudited results for fiscal 2013 (Sept. 30 year-end) show reserves rising slightly from 2012 levels. For audited fiscal 2012, total available general fund reserves (including the committed balance that management reports could be made available by the board as needed) and sheriff contractual services fund reserves represented 25.6% of expenditures. County officials consider the sheriff contractual services fund a general fund responsibility and, as such, we have adjusted the general fund revenue and expenditures accordingly. We have also adjusted general fund revenues and expenditures for

recurring transfers, including from the transportation capital projects fund to fund mass transit operating costs and to nonmajor governmental funds to pay debt service.

### **Adequate budgetary performance**

The county's budgetary performance has been adequate overall, in our view, with a surplus of 3.5% for the general and sheriff funds in fiscal 2012 but a slight deficit of 1.5% for total governmental funds. General fund revenue peaked at \$1.4 billion in fiscal 2007 and measured \$1 billion in 2012, having increased 2.7% year-over-year. Despite the overall decline, between 2007-2012 the county posted only a single general fund drawdown due to a proactive management team that eliminated positions, implemented a hiring freeze, and consolidated operations. Unaudited results for fiscal 2013 show a small surplus, and management reports no deferral of capital or maintenance related expenditures.

### **Very strong liquidity**

Supporting the county's finances is liquidity we consider very strong, with total government available cash at 27.5% of total governmental fund expenditures and 530.6% of debt service. We believe the county has exceptional access to external liquidity as it has issued bonds frequently of various security types during the past 15 years.

### **Very strong management conditions**

We view the county's management conditions as very strong, with strong financial practices. While the county does not have a formal fund balance policy, its informal target is to maintain available reserves equal to 10% of expenditures. Budgeting is conservative and based on historical trends and current economic data tracked by the county office of budget and management. The board receives monthly budget-to-actual reports. The county also maintains a five-year financial forecast and five-year rolling capital improvement plan. The debt management policy includes limitations on overall GO debt per capita, coverage requirements for non-ad valorem debt, amortization schedules, and required net present value saving levels on refunding bonds. Its investment policy outlines objectives, permitted investments, performance and holdings reports, and portfolio diversification requirements, among others.

### **Very strong debt and contingent liability profile**

In our opinion, the county's debt and contingent liability profile is very strong with total governmental fund debt service at 5.2% of total governmental fund expenditures, and net direct debt at 45.3% of total governmental fund revenue. Overall net debt is 1.4% of market value.

The county participates in the Florida Retirement System to provide pension benefits for employees. It has contributed 100% of the annual required contribution (ARC) in each of the past three years. The combined ARC pension and other postemployment benefit (OPEB) pay-as you-go costs for fiscal 2012 were 4.6% of expenditures. The county's OPEB liability is about \$274 million. The county has set aside \$28 million for its OPEB liability, though the amounts are not reserved in a trust.

### **Strong institutional framework**

We consider the Institutional Framework score for Florida counties as strong.

## Outlook

The stable outlook reflects our view of the county's consistent financial performance, which is supported by strong management. We do not expect to revise the rating in the next two years because we believe the county will maintain very strong reserves and continue to participate in the broad and diverse Miami-Fort Lauderdale-West Palm Beach MSA.

## Related Criteria And Research

### Related Criteria

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

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