

RatingsDirect®

Summary:

Mobile County, Alabama; General Obligation

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Summary:

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Credit Profile

US\$26.64 mil GO imp warrants ser 2015 due 08/01/2035

<i>Long Term Rating</i>	AA/Stable	New
Mobile Cnty GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating to Mobile County, Ala.'s series 2015 general obligation (GO) warrants. At the same time, Standard & Poor's affirmed its 'AA' rating on the county's existing GO debt. The outlook is stable.

The series 2015 warrants are GOs of the county, to which it has pledged its full faith and credit for repayment. Proceeds will be used to fund various capital projects. Certain county warrants are additionally secured by a dedicated 6.5-mill ad valorem tax. We rate those warrants, however, on par with the county's GO debt since we believe the GO pledge is the stronger of the two.

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

- Adequate economy, with projected per capita effective buying income at 84.1% and market value per capita of \$76,174, though that is advantageously gaining from access to a broad and diverse metropolitan statistical area (MSA);
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2013 of 28% of operating expenditures;
- Very strong liquidity, with total government available cash of 62.1% of total governmental fund expenditures and 6.7x governmental debt service, as well as access to external liquidity we consider strong;
- Very strong management, with "strong" financial policies and practices under our financial management assessment (FMA) methodology;
- Adequate debt and contingent liability position, with debt service carrying charges at 9.2% of expenditures and net direct debt at 77.9% of total governmental fund revenue, and low overall net debt at less than 3% of market value; and
- An adequate institutional framework score.

Adequate economy

We consider the county's economy adequate. Mobile County, with an estimated population of 414,079, is located in the Mobile MSA, which we consider to be broad and diverse, in southwestern Alabama on the Gulf Coast. The county has a projected per capita effective buying income of 84.1% of the national level and per capita market value of \$76,174. Overall, the county's market value grew by 2.6% over the past year to \$31.5 billion in 2015. The county

unemployment rate was 7.7% in 2014.

Economic activity centers on Mobile, which accounts for about half the county's population. We consider the county's economic base to be broad and diversified across several sectors, including manufacturing, retail and wholesale trade, state and local government, education, health care, leisure, and hospitality.

Strong budgetary performance

Mobile County's budgetary performance is strong in our opinion. The county had operating surpluses of 1.9% in the general fund and 11.4% across all governmental funds in fiscal 2013.

Based on unaudited fiscal 2014 results, which show ongoing surpluses of over 5% for the general fund, we believe the county will sustain its strong budgetary performance. Based on year-to-date results, officials expect to end fiscal 2015 with roughly break-even general fund operations.

Very strong budgetary flexibility

Mobile County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2013 of 28% of operating expenditures, or \$38.8 million.

We believe the county will continue to maintain its very strong budgetary flexibility, as there are no plans to spend down available fund balances within the next year or two. Fiscal 2014 unaudited data indicates a year-end general fund balance of \$42.8 million with the expectation that the fiscal 2015 year-end general fund balance will remain relatively flat.

Very strong liquidity

In our opinion, Mobile County's liquidity is very strong, with total government available cash at 62.1% of total governmental fund expenditures and 6.7x governmental debt service in 2013. In our view, the county has strong access to external liquidity if necessary.

In 2010, the county entered into a privately placed GO debt transaction (series 2010 GO warrants). We have reviewed the terms and conditions of the financing for non-standard events of default or acceleration, and do not believe this poses a credit risk to the county.

Very strong management

We view the county's management as very strong, with "strong" financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

Highlights include monthly financial reports for the county commission, which makes budget amendments as needed. Management has adopted a formal investment policy, which is reviewed annually and requires officials to provide reports on investment holdings and performance to the commission at least quarterly. The county maintains a formal 10-year capital improvement plan that identifies funding sources and is updated every two years. The county's budgeting process takes into account several years of historical data with certain input from outside sources. In addition, the county has formally adopted comprehensive policies for debt management and a reserve policy that states reserves should optimally be maintained between 16% and 25% of expenditures.

Adequate debt and contingent liability profile

In our view, Mobile County's debt and contingent liability profile is adequate. Total governmental fund debt service is 9.2% of total governmental fund expenditures, and net direct debt is 77.9% of total governmental fund revenue.

Overall net debt is low at 1.7% of market value, which is in our view a positive credit factor.

Debt amortization is average with just under half of all debt maturing in the next ten years. The county does intend to issue additional annually over the next few years in conjunction with its long-term capital plan.

The county contributes to the Employees' Retirement System of Alabama, and agent multiemployer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments. In addition, the county provides other postemployment benefits (OPEBs) in the form of a defined-benefit medical and life insurance plan for eligible retirees and their spouses; the county contributes to its OPEB liabilities on a pay-as-you-go basis.

Mobile County's combined pension and OPEB contributions totaled 3.4% of total governmental fund expenditures in 2013. The county made its full annual required pension payment in 2013.

Adequate institutional framework

The institutional framework score for Alabama counties is adequate.

Outlook

The stable outlook reflects our expectation that Mobile County's broad and diversified economic base will continue to provide tax revenue stability, which, when coupled with its strong financial management practices, will allow for maintenance of its very strong financial profile. Furthermore, we anticipate that the county's debt and contingent liabilities profile will remain adequate despite future debt issuances.

Downside scenario

While we do not expect it within the next two years, we could lower the rating if the county experiences a substantial deterioration of its financial profile.

Upside scenario

Conversely, although we also do not expect it to occur, ongoing economic growth and diversification that results in materially elevated income and wealth levels could result in a higher rating.

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: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011

Related Research

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

Ratings Detail (As Of September 15, 2015)

Mobile Cnty go warrants

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Mobile Cnty GO

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Mobile Cnty GO

<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

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