

# RatingsDirect®

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## Summary:

# Harris County Public Improvement Authority, Georgia Harris County; General Obligation Equivalent Security

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### Credit Profile

#### Harris County Public Improvement Authority, Georgia

Harris Cnty, Georgia

Harris County Public Improvement Authority (Harris Cnty) rev & taxable rev bnds (Comnty Ctr Proj)

*Long Term Rating*

AA/Stable

Upgraded

## Rationale

Standard & Poor's Ratings Services raised its long-term rating to 'AA' from 'AA-' on Harris County Public Improvement Authority, Ga.'s revenue and taxable revenue bonds issued for Harris County based on the application of our local GO criteria, published Sept. 12, 2013, on Ratings Direct. The outlook is stable.

The county issued the bonds through the authority, yet the county's full faith and general obligation (GO) credit pledge through an intergovernmental contract ultimately guarantees the bonds. Pursuant to the project lease agreement, the county has obligated itself to make contract payments to the issuer sufficient to make annual debt service payments. The payments are an absolute and unconditional obligation of the county, to which it pledges its full faith and credit and unlimited taxing power. However, management has indicated that it expects water and sewer revenues to be sufficient to make debt service payments because both enterprise systems are fully self-supporting.

The rating reflects our view of the county's:

- Strong economy with its projected per capita effective buying income at 120% of the U.S. and per capita market value of about \$95,300. Harris County serves an estimated population of 32,500 and is located 75 miles southwest of Atlanta and has access to the Columbus, Ga., and Ala. metropolitan statistical area (MSA). The county is a rural, residential area with an ample amount of agricultural land; however, residents have employment opportunities in the Columbus MSA, which is about a 30-minute drive south. In 2013, the county's unemployment rate was 6.5%, according to the Bureau of Labor Statistics. The tax base is diverse in our view, as the top 10 taxpayers account for 9.8% of total assessed value (AV).
- Adequate management conditions with "standard" financial practices under our Financial Management Assessment methodology, indicating the government, in our opinion, maintains adequate policies in some but not all key areas.
- Very strong budgetary flexibility with available reserves of about \$13.6 million or 90% of expenditures for fiscal 2013. The county, budgeting on cash-basis method, anticipates it will have negative operations in fiscal 2014 and fiscal 2015, which, if realized, will bring the ending available reserves below 75% in fiscal 2015.

- Adequate overall budgetary performance with a 6% general fund surplus and a 13.2% total governmental fund surplus in fiscal 2013. The county budgets on a cash basis and for fiscal 2014, expects a 4.4% operating deficit in the general fund and an approximately 1% surplus in the total governmental fund. The total governmental fund expenditures for fiscal 2014 are adjusted for non-recurring capital expenses. In fiscal 2015, the county projects it will have a spending deficit of about 1.3% in the general fund.
- Very strong liquidity supports county's finances, with total government available cash at 153.7% of total government fund expenditures and at 32x debt service. Based on past issuances of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs, if necessary.
- Very strong debt and contingent liabilities profile with 4.8% total governmental fund debt service to total governmental fund expenditures and 47% net direct debt to total governmental funds revenue. We view the overall net debt to market value low and a positive credit factor at 0.7%. We have accounted for the debt issued by the County Development Authority in agreement with Johnson Controls Inc. (JCI) as direct obligation of the county. The county provides pension benefits to its employees through the Association of County Commissioners of Georgia Restated Pension Plan. The annual pension costs account for 5.7% of the total government expenditures in fiscal 2013. We understand that county does not offer other postemployment benefits to its employees.
- We consider the institutional framework score for Georgia counties as strong. See the Institutional Framework score for Georgia.

## Outlook

The stable outlook reflects our opinion of the county's very strong budgetary flexibility and debt levels that are supported by very strong liquidity. In our opinion, the county's access to the Columbus MSA provides additional rating stability. We do not expect to lower the rating within the outlook's two-year horizon however, should management be unable to maintain balanced operations and draws down its reserves, leading to significantly weakened budgetary performance and flexibility, we could lower the rating.

## 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: Georgia Local Governments

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