

RatingsDirect®

Summary:

Tampa, Florida; Appropriations; General Obligation

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Long Term Rating	AAA/Stable	Upgraded
Gulf Breeze, Florida		
Tampa, Florida		
Gulf Breeze (Tampa) local govt ln prog fltg rt dem rev bnds		
Long Term Rating	AA+/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services has raised its issuer credit rating (ICR) on Tampa, Fla. to 'AAA' from 'AA+', and its long-term rating to 'AA+' from 'AA' on the city of Gulf Breeze's 1985K local government loan program floating-rate demand revenue bonds, issued for Tampa.

The upgrades are due to the implementation our local government criteria published Sept. 12, 2013. The outlook is stable.

The series 1985K bonds are special obligations of Gulf Breeze and are payable solely from monies on deposit in funds and accounts created by the 1985K indenture and from payments made by the city of Tampa under a loan agreement. To evidence its repayment obligation pursuant to the loan agreement, Tampa has pledged occupational license taxes levied and collected by the city and, to the extent that in any given year revenues from the occupational license tax are not sufficient to meet its obligations under the loan, the city has covenanted budget and appropriate legally available non-ad valorem revenues. Standard & Poor's rating on the 1985K bonds is based on the city's covenant to budget and appropriate non-ad valorem revenues pursuant to the loan agreement.

The ICR reflects our assessment of the following factors for the city, including its:

- Strong economy, which is demonstrating signs of recovery and benefits from participation in the broad and diverse Tampa-St. Petersburg-Clearwater metropolitan statistical area (MSA);
- Very strong budgetary flexibility with 2013 audited reserves at more than 30% of expenditures for the third year in a row;
- Weak budgetary performance;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Very strong management conditions with strong financial policies; and
- Very strong debt and contingent liabilities position.

Strong economy

We consider Tampa's economy strong with participation in the broad and diverse Tampa-St. Petersburg-Clearwater MSA. It is in Hillsborough County -- on Florida's west coast -- which had an unemployment rate of 7% in 2013. The city's projected per capita effective buying income is 105.3% of the U.S. and its per capita market value for fiscal 2015 (preliminary) is \$104,289. The city's tax base is recovering following a significant contraction in taxable assessed value (AV); AV peaked in fiscal 2008 at nearly \$30 billion and then bottomed in 2012 at \$21 billion (a cumulative 27% drop). Growth in fiscal 2013, 2014, and 2015 (preliminary) raised the AV to \$24 billion.

Very strong management conditions

We view the city's management conditions as very strong, with strong financial practices. Highlights include a 20% reserve policy (general fund and utilities services tax fund combined), a formal debt policy, a multiyear general fund projection that is based on conservative assumptions and structurally balanced operations, and a five-year rolling capital improvement plan that is fully funded.

Very strong budgetary flexibility

In our opinion, the city's budgetary flexibility is very strong; audited fiscal 2013 reserves (general fund and utilities services tax fund combined) were \$124.9 million, or 38% of related expenditures. Available reserves have exceeded 30% in each of the past three fiscal years and we expect the trend to continue in fiscal 2014 despite an anticipated \$8.7 million drawdown at year-end (Sept. 30). The 2015 recommended budget includes a \$1.4 million surplus and the long-term financial plan projects surpluses. The city's millage rate is currently 5.73, well below the state cap of 10 mills and we consider this a credit strength.

Weak budgetary performance

The city's budgetary performance has been weak overall, with deficits of 6.7% for the general fund in fiscal 2013 and 15.3% for total governmental funds. The city's primary sources of general fund revenue are property taxes (39% of the total in fiscal 2013) and licenses and permits (14%). Property tax receipts peaked in fiscal 2008 at \$163 million and declined in the following years to \$117 million in 2013. The city responded to the erosion of its revenue base swiftly with array of spending adjustments that included the elimination of roughly 700 positions through layoffs and attrition, across-the-board departmental operating reductions, the realization of operational efficiencies, and reductions in capital outlay. Given the very strong management conditions, we would expect this factor score to improve as the city's tax base continues to recover.

Very strong liquidity

Supporting the city's finances is liquidity we consider very strong, with total government available cash at 54.7% of total governmental fund expenditures and 727% of debt service. We believe the city has exceptional access to external liquidity given its issuance of various types of debt in recent years.

Very strong debt and contingent liability profile

In our opinion, the city's debt and contingent liability profile is very strong, with total governmental fund debt service at 7.5% of total governmental fund expenditures and with net direct debt at 89.7% of total governmental fund revenue. Overall net debt represents 1.1% of market value, and additional debt plans include a \$43.8 million commercial paper issuance in fiscal 2015. The city is scheduled to amortize 68.3% of principal over the next 10 years and all debt is currently fixed rate. The city has no general obligation (GO) debt outstanding. Rather, it has used various types of

revenue bonds to fund its capital program.

Tampa maintains two defined-benefit pension plans -- one for general employees and one for police and fire -- that were both more than 90% funded as of Jan. 1, 2013. We believe these funding ratios may be somewhat overstated given that city's assumed rates of return are 8% and 10% for the general employees and police/fire plans, respectively. The city's other postemployment benefit (OPEB) liability of \$55 million is incurred from the implicit subsidy of permitting, as per state statute, retirees to purchase health insurance at 100% of the premium cost. The combined annual required pension and OPEB pay-as-you-go costs for fiscal 2013 were 9.3% of expenditures.

Strong Institutional Framework

We consider the Institutional Framework score for Florida cities with revenues or expenditures greater than \$250,000 as strong.

Outlook

The stable outlook reflects our view of the city's very strong liquidity and budgetary flexibility, which we expect to be maintained in light of the very strong management. Tampa's recovering economy enhances stability. We do not anticipate changing the rating in our two-year outlook horizon as we expect management to take measures to restore budgetary balance. While unlikely, a significant deterioration in budgetary performance and available reserves could pressure the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Non Ad Valorem Bonds, Oct. 20, 2006
- USPF Criteria: Financial Management Assessment, June 27, 2006
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

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

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