

RatingsDirect®

Summary:

Louisville & Jefferson County Metro Government, Kentucky; Appropriations; General Obligation

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Credit Profile

US\$21.525 mil GO nts ser 2014E due 12/01/2019		
<i>Long Term Rating</i>	AA+/Stable	New
US\$19.29 mil GO rfdg bn ds ser 2014F due 11/01/2026		
<i>Long Term Rating</i>	AA+/Stable	New
US\$11.33 mil GO bn ds ser 2014D due 12/01/2034		
<i>Long Term Rating</i>	AA+/Stable	New
Louisville & Jefferson Cnty Metro Govt GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating to Louisville & Jefferson County Metro Government, Ky.'s series 2014D general obligation (GO) bonds, 2014E GO notes, and 2014F GO refunding bonds. At the same time, we affirmed our long-term ratings on debt previously issued by the metro government. The outlook is stable.

The metro government's full-faith-and-credit and unlimited-tax GO pledge secures the GO bonds and notes. It is our understanding that bond proceeds will fund various capital projects. The notes will fund vehicle and other equipment purchases. The refunding bonds will retire outstanding portions of 2006A bonds, for interest cost savings.

The long-term rating on the city reflects what we see as the metro government's:

- Strong, broad, and diverse economy given its status as a regional economic center;
- Very strong management with strong financial policies and practices;
- Strong budgetary flexibility with 2013 available reserves at 10% of adjusted general fund expenditures;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Strong budgetary performance with at least balanced general fund operations in 2014 and 2015; and
- Adequate debt and contingent liabilities.

Strong economy

We consider Louisville & Jefferson County Metro Government's local economy strong, with per capita market value and projected per capita effective buying income about \$86,200 and 96% of the national average, respectively. The metropolitan government, which serves as a regional hub for northern Kentucky and southern Indiana, encompasses Jefferson County, the largest government in the state. The metro government is home to UPS' WorldPort hub, with over 20,000 employees, a large health care service sector (with the leading seven providers in the metropolitan area employing nearly 30,000) provides stability. Last year, the county unemployment rate was 8.1%, according to the U.S.

Bureau of Labor Statistics. Officials note local leading employers are stable, so we do not expect the unemployment rate will rise in the future.

Very strong management

In our opinion, Louisville & Jefferson County Metro Government's management conditions are very strong with "strong" financial practices under our Financial Management Assessment methodology, indicating practices are, in our opinion, strong, well embedded and likely sustainable. Strengths include strong revenue and expenditure assumptions in the budgeting process, strong oversight in terms of monitoring progress against the budget during the year, and multiyear financial projections, as well as a formal long-term capital plan and fund balance policy.

Strong budgetary flexibility

The metro government's budgetary flexibility is strong, in our view, with available reserves at \$60.99 million and 10.3% of adjusted operating expenditures in fiscal 2013. For fiscal 2014, the government budgeted a \$61 million fund balance, and officials anticipate, based on preliminary results, that they may report a higher fund balance. The 2015 budget includes a \$500,000 increase to the fund balance.

Very strong liquidity

We believe very strong liquidity supports the metro government's finances, with total government available cash to government fund expenditures and cash to debt service at 19% and 2.5x, respectively. Based on past issuance of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.

Strong budgetary performance

Louisville & Jefferson County Metro Government's budgetary performance is strong, in our opinion, with a surplus of 0.1% for the general fund and a surplus of 1.3% for the total governmental funds in fiscal 2013. Management attributes the favorable result to positive economic trends, but mainly controlling expenses. Occupational taxes comprised 56% of fiscal 2013 general fund revenues, followed by property taxes at 25%. Officials continue to take steps to manage ongoing expenses, and economic trends remain favorable, so we expect strong budgetary performance to continue in 2014 and 2015.

Adequate debt and contingent liabilities

In our view, the metro government's debt and contingent liabilities profile is adequate. Total governmental fund debt service to total governmental fund expenditures and net direct debt to total governmental funds revenue are 7.6% and 89.4%, respectively. We feel the net debt to market value is low and a positive credit factor at 1.5%. The metro government anticipates issuing an estimated \$15 million of additional debt in the near term, but we do not expect this amount of debt will have a material effect on debt measures.

We view the issuers' pension/other postemployment benefit (OPEB) obligations as large and, in our opinion, a negative credit factor. The metro government participates in the County Employees Retirement System (CERS), administered by the Board of Trustees of the Kentucky Retirement Systems. In the late 1980s, the metro government closed its police and firefighters plans. The annual pension and OPEB costs accounted for 11% of total government expenditures in fiscal 2013. Last year, the organization contributed 100% of its annual required pension contribution. We do not consider the pension and OPEB liabilities to be a significant budget pressure as officials do not expect overall costs to materially increase over the next two years.

Strong institutional framework

We consider Institutional Framework score for Kentucky cities strong.

Outlook

The stable outlook reflects our expectation that Louisville & Jefferson County Metro Government's budgetary performance and flexibility will remain strong, and that liquidity will remain very strong, supported by balanced budgets. The metro government's deep and diverse economic base, coupled with a very strong management team that has been managing expenses, further support our view that the organization will maintain its long-term budget stability.

We do not anticipate changing the rating in the two-year horizon, but if economic measures or budgetary flexibility and performance sustainably rise to very strong levels, it could lead to a higher rating. Conversely, we do not anticipate downward rating pressure within the two-year outlook period.

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: Kentucky Local Governments

Ratings Detail (As Of November 6, 2014)

Louisville & Jefferson Cnty Metro Govt lse

Long Term Rating AA/Stable Affirmed

Louisville & Jefferson Cnty Metro Govt GO

Unenhanced Rating AA+(SPUR)/Stable Affirmed

Louisville Pkg Auth of River City, Kentucky

Louisville & Jefferson Cnty Metro Govt, Kentucky

Louisville Pkg Auth of River City (Louisville & Jefferson Cnty Metro Govt)

Long Term Rating AA/Stable Affirmed

Louisville Pkg Auth of River City (Louisville & Jefferson Cnty Metro Govt) 1st mtg rev bnds ser 2010A-B

Long Term Rating AA/Stable Affirmed

Louisville Pkg Auth of River City (Louisville & Jefferson Cnty Metro Govt) 1st mtg rev bnds (Louisville & Jefferson Cnty Metro Govt) ser 2013A due 06/

Long Term Rating AA/Stable Affirmed

Louisville Pkg Auth of River City (Louisville & Jefferson Cnty Metro Govt) 1st mtg rfdg rev bnds (Louisville & Jefferson Cnty Metro Govt) ser 2013B du

Long Term Rating AA/Stable Affirmed

Louisville Pkg Auth of River City (Louisville) 1st mtg rev bnds ser 2002 dtd 12/01/2002 due 06/01/2003-2018 2020 2022 2026 2029 2032

Ratings Detail (As Of November 6, 2014) (cont.)

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

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