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Fort Lauderdale, FL GO Debt Rating Raised To 'AA+' On Strong Management Controls As Economy Improves

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BOSTON (Standard & Poor's) June 18, 2015--Standard & Poor's Ratings Services said that it raised its rating on Fort Lauderdale, Fla.'s general obligation (GO) bonds to 'AA+' from 'AA'. Standard & Poor's also assigned its 'AA+' long-term rating to the city's 2015 GO bonds, being issued to refund the city's series 2004 bonds for interest savings. Finally, we raised our rating on the city's series 2012 special obligation bonds to 'AA' from 'AA-'. The outlook on all obligations is stable.

"The higher rating on the GO bonds reflects the improving economy," said Standard & Poor's credit analyst Victor Medeiros, "and stronger management controls and procedures that have translated into stronger budgetary performance that we believe will be sustained."

The city's full faith and credit secures the GO bonds. A pledge by the city to covenant to budget and appropriate nonad valorem revenues secures the special obligation bonds. We note, in the first instance, Fort Lauderdale is pledging designated revenues for bond repayment that provides good coverage of maximum annual debt service (MADS). However, we rate the bonds based on the city's nonad valorem pledge, which we view as the stronger security.

"The rating reflects our opinion of Fort Lauderdale's strong budgetary performance and very strong budgetary flexibility and liquidity," said Mr. Medeiros. Other factors include its:

Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);

Very strong management, with "strong" financial policies and practices under our Financial Management Assessment (FMA) methodology;

Weak debt and contingent liability position, with debt service carrying charges of 10.5% of expenditures and net direct debt that is 105.9% of total governmental fund revenue; and

Strong institutional framework score.

"The stable outlook reflects our opinion that Fort Lauderdale's ongoing adherence to strong financial management policies and an improving economy will likely continue to translate into strong budgetary performance and very strong reserves," added Mr. Medeiros. Meanwhile, at the same time, management should remain proactive in managing its capital program and other long-term liabilities, ensuring overall budgetary performance remains, in our opinion, stable and strong.

Further rating improvement is limited over our outlook horizon due to the city's debt and liability profile. While unlikely in our two-year outlook horizon, we could lower the rating if the economy and budgetary performance were to weaken, adding downward pressure to budgetary reserves for a prolonged period.

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: Non Ad Valorem Bonds, Oct. 20, 2006

USPF Criteria: Special Tax Bonds, June 13, 2007

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

Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

U.S. State And Local Government Credit Conditions Forecast, April 2, 2015

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

Institutional Framework Overview: Florida Local Governments

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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