

# RatingsDirect®

---

## Summary:

# Irondale, Alabama; General Obligation

### **Primary Credit Analyst:**

Brian J Marshall, Dallas (1) 214-871-1414; [brian.marshall@standardandpoors.com](mailto:brian.marshall@standardandpoors.com)

### **Secondary Contact:**

Jim Tchou, New York (1) 212-438-3821; [jim.tchou@standardandpoors.com](mailto:jim.tchou@standardandpoors.com)

## Table Of Contents

---

Rationale

Outlook

Related Criteria And Research

## Summary:

# Irondale, Alabama; General Obligation

### Credit Profile

US\$9.0 mil tax-Exempt go warrants ser 2014-C due 10/01/2034		
<i>Long Term Rating</i>	AA/Stable	New
US\$5.76 mil taxable go rfdg warrants ser 2013-B due 10/01/2022		
<i>Long Term Rating</i>	AA/Stable	New
US\$1.76 mil taxable go rfdg warrants ser 2014-A due 10/01/2033		
<i>Long Term Rating</i>	AA/Stable	New
Irondale GO (AGM)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
Irondale GO (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
Irondale GO (MBIA) (National)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
Irondale GO (SYNCORA GTY)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) to 'AA' from 'A+' on Irondale, Ala.'s general obligation (GO) debt based on the application of our local GO criteria released Sept. 12, 2013. At the same time, we assigned our 'AA' long-term rating to the city's series 2014-A, 2013-B, and series 2014-C GO warrants. The outlook is stable.

The rating reflects our view of the city's:

- Broad and diverse strong economy given its participation in the Birmingham metropolitan statistical area (MSA),
- Strong management,
- Very strong budgetary flexibility,
- Very strong liquidity, and
- Adequate budgetary performance.

Partly offsetting the above strengths, in our view, is the city's very weak debt and contingent liability profile.

The city's full faith and credit secures the warrants. Officials will use warrant proceeds to refund debt for savings and make citywide improvements.

### **Strong economy**

Irondale's local economy is, in our view, strong, with projected per capita effective buying income at 103% of the national average and per capita market value at roughly \$93,000. According to the Bureau of Labor Statistics, Jefferson County's unemployment rate for 2013 was 6%. We believe residents benefit from participation in the broad and diverse Birmingham-Hoover MSA. We view this as a credit strength.

### **Strong management**

We believe Irondale's management conditions are strong, with "good" financial practices under our financial management assessment (FMA) methodology, indicating our view that financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis. Strengths of the assessment, in our opinion, include strong revenue and expenditure assumptions in the budgeting process, strong oversight in terms of monitoring progress against the budget during the year, and a long-term capital plan.

### **Very strong budgetary flexibility**

Given available reserves at 19.5% of operating expenditures in fiscal 2013, we believe that Irondale's budgetary flexibility is very strong. Officials project ending fiscal 2014 with a \$4.1 million general fund balance, which is equal to 28.4% of operating expenditures.

### **Very strong liquidity**

We believe very strong liquidity supports Irondale's finances, with total government available cash at 29% of total government fund expenditures and at 191% of debt service coverage. Based on past issuance of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.

### **Adequate budgetary performance**

In our opinion, Irondale's budgetary performance is adequate overall, with deficits of 12.0% for the general fund and 15.4% for the total governmental funds in fiscal 2013. Based on current-year and subsequent-year projections and on approvals that are in place to effect such changes, we believe that the issuers' finances will show improvement in fiscal 2014 and have thus adjusted the score to "adequate." Current sales tax trends coupled with the recent authorization of a new sales tax support our expectation.

### **Very weak debt and contingent liabilities**

Irondale's debt and contingent liability profile is, in our view, very weak. Total governmental fund debt service to total governmental fund expenditures is 15.3%, and net direct debt to total governmental funds revenue is 324.9%. Last year Irondale fulfilled 100% of its annual required pension contribution. Pension and other postemployment benefit costs accounted for 7% of the total government expenditures in fiscal 2012.

### **Strong institutional framework**

We consider the Institutional Framework score for Alabama cities and towns strong.

## **Outlook**

The stable outlook reflects our anticipation that Irondale will maintain its very strong budgetary flexibility and very strong liquidity position, negating the effects of the very weak debt and liability profile. We could lower the rating in

case a significant decline in reserves deteriorates the city's budgetary flexibility. We could raise the rating in the two-year outlook period in the unlikely event that the city's debt profile improves significantly.

## **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

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

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).