

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa1 rating to the city of Hoover 's (AL) \$8.9M GO Refunding Warrants, Series 2013-A and \$11.3M Taxable GO Refunding Warrants, Series 2013-B

Global Credit Research - 19 Apr 2013

Rating affirmed on \$96.6M in outstanding GO debt, including the current issue

HOOVER (CITY OF) AL
Cities (including Towns, Villages and Townships)
AL

Moody's Rating

ISSUE		RATING
GO Refunding Warrants, Series 2013-A		Aa1
Sale Amount	\$8,920,000	
Expected Sale Date	05/01/13	
Rating Description	General Obligation	
Taxable GO Refunding Warrants, Series 2013-B		Aa1
Sale Amount	\$11,255,000	
Expected Sale Date	05/01/13	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, April 19, 2013 --Moody's Investors Service assigns a Aa1 rating to the city of Hoover 's (AL) \$8.9 million General Obligation Refunding Warrants, Series 2013-A and \$11.3 million Taxable General Obligation Refunding Warrants, Series 2013-B. Concurrently, Moody's affirms the Aa1 rating on \$96.6 million in outstanding General Obligation debt, including the current issue. Series 2013-A proceeds will refund Series 1999 and Series 2000 bonds for estimated net present savings of \$686,000, or 8.17% of refunded par and the Series 2013-B proceeds will advance refund Series 2004 bonds for estimated net present saving of \$515,000, 5% of refunded par with no extension in maturity.

Summary Rating Rationale:

The Aa1 rating on the city's GOLT and Issuer Rating reflects the city's strong economy, solid financial position and moderate debt burden. The rating reflects the diversification of the city's major sales tax payers, the continued development of retail outlets, and the city's commitment to robust pay-go capital spending.

STRENGTHS

- Large wealthy tax base with a significant retail and commercial presence
- Stable General Fund operations with ample General Fund reserves

CHALLENGES

- Reliance on economically sensitive sales and use taxes
- Large unfunded pension liability

DETAILED CREDIT DISCUSSION

STRONG FINANCIAL POSITION DRIVEN BY CONSERVATIVE FISCAL MANAGEMENT

Moody's believes the city's financial position will remain strong given management's successful track record of conservative budgeting that has resulted in year over year increases in General Fund balance and Capital Project Fund reserves. The city has generated six consecutive General Fund surpluses which have increased General Fund balances to \$31.6 million, 26.8% of General Fund revenues at the end of fiscal 2012. Fiscal 2012 ended with a \$13 million surplus primarily driven by conservatively budgeted estimates and a 7% increase in sales in use taxes over fiscal 2011 collections. The city transferred \$9.8 million to the Capital Projects Fund which had a \$24.9 million fund balance at fiscal 2012 year end. The Capital Projects Fund is used to finance various capital projects. The monies in the Capital Projects Fund are fungible and provide the city additional financial flexibility should the need arise.

The fiscal 2013 budget assumed 3% growth over the fiscal 2012 budget which is funded without the use of appropriated General Fund balance. Sales taxes assume a 2% increase over the fiscal 2012 budget however management reports that sales tax collections are exceeding budget estimates based on year to date collections. The city is reliant on economically sensitive sales and use taxes which make up 51.4% of total General Fund revenues however management's conservatively budgeted estimates have provided stability. Moody's believes the city will maintain a stable financial position based on the city's strong financial management.

CITY CONTINUES TO EXPERIENCE RAPID GROWTH; MAJOR RETAIL HUB WITHIN BIRMINGHAM-HOOVER MSA

The city straddles Jefferson (GO Rated Caa3/negative) and Shelby Counties (Issuer rated Aaa), and is a major residential and retail hub within the growing Birmingham-Hoover Metropolitan Statistical Area. The city serves as a suburban base for higher income commuters to Birmingham (GO rated Aa2), but also has its own diverse employment base that includes BlueCross/Blue Shield of Alabama, Regions Bank, and Bell South Telecommunications in addition to a large retail base. Unemployment has historically been below that of the state and nation, and stands at 4.8% (February 2012) compared to national and state levels of 8.1% and 7.8%, respectively. The city is home to a plethora of retail outlets, most notably the high-end Riverchase Galleria, which is in the process of completing a \$90 million redevelopment project including a 187,000 square foot addition to house the Von Maur department store. Hoover is also home to several highly-rated golf courses which have hosted PGA Tournament events. The city's full valuation has grown by an average 3.4% per year since 2008, to a substantial \$11.2 billion, and full value per capita was a high \$132,986 in 2012. Assessed values have increased by 2.1% annually over the same period including recent declines due to the softening of the residential housing market. Wealth levels are well above state and national averages, and median home values are more than twice that of the state. The growth in the city will continue as the city attracts people from around the state to the high quality schools and solid employment base.

MODERATE DEBT BURDEN WITH LIMITED BORROWING PLANNED

Moody's believes the city's debt position will remain manageable given ongoing development, the city's limited future borrowing plans and rapid amortization rate. The city will retire 82.8% of outstanding principal within ten years. The city's direct debt burden is 0.9% of full valuation but increases to an above-average 3.2% when taking into account the overlapping debt of local municipalities. The city currently does not have any variable rate debt, and is not party to any swap agreements. Debt service is manageable, accounting for 9.3% of fiscal 2012 expenditures .

The city contributes to the Employees' Retirement System of Alabama, a defined benefit pension plan for employee retirement benefits. As of September 30, 2011, the plan was 67.1% funded. The city pays 100% of its annual required contributions which accounted for 3.86% of fiscal 2012 expenditures.

What could make the rating go UP:

- Strengthening of the city's formal financial policies
- Continued increases in General Fund balance
- Strengthening of the city's socio-economic profile

What could make the rating go DOWN:

- Decrease in the city's financial position
- Deterioration within the city's large tax base

KEY STATISTICS

Population (2010): 81,619

2012 Full Valuation: \$11.2 billion

2012 Full Value Per Capita: \$132,986

Direct Debt Burden: 0.9%

Overall Debt Burden: 3.2%

Amortization of Principal (10 Years): 82.8%

Fiscal 2012 General fund balance: \$31.6 million (26.8% of General Fund revenues)

Per Capita Income as % of State (2010): 162.9%

Median Family Income as a % of State (2010): 178.7%

Post-issue Parity Debt Outstanding: \$96.64 million

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Shannon McCue
Lead Analyst
Public Finance Group
Moody's Investors Service

Christopher Coviello
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376

Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA



© 2013 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or

incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.