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.

STRENGHTS

-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 increase 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 additional 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 increase 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 LIMTED 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.

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