

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to Parish of Lafayette's, LA, \$10.7M GO Refunding Bonds, Series 2014

Global Credit Research - 13 Jun 2014

Moody's affirms Aa2 of \$61.6M in outstanding parity debt

LAFAYETTE (PARISH OF) LA
Counties
LA

Moody's Rating

ISSUE	RATING
General Obligation Refunding Bonds, Series 2014	Aa2
Sale Amount	\$10,770,000
Expected Sale Date	06/24/14
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, June 13, 2014 --Moody's Investors Service has assigned a Aa2 underlying rating to the Parish of Lafayette's (LA) \$10.7 million General Obligation Bonds, Series 2014. At the same time, Moody's affirms the Aa2 rating on \$61.6 million in outstanding parity debt. Proceeds from the sale of Bonds will be used to refund certain maturities of the parish's outstanding debt for a projected net present value savings with no extension of the final maturity.

SUMMARY RATING RATIONALE

The bonds are secured by and payable from unlimited ad valorem taxation. The Aa2 rating reflects the parish's large and growing tax base in south central Louisiana, average socioeconomic profile, and stable financial performance and adequate reserve levels. The rating also reflects the parish's manageable debt burden with no plans for significant issuance in the near-term.

STRENGTHS

- * Large and growing \$15.6 billion tax base
- * Stable financial operations with adequate reserves
- * Increase in sales tax collections

CHALLENGES

- * Slow payout of principal
- * Above average pension burden

DETAILED CREDIT DISCUSSION

PARISH TAX BASE CONTINUES TO EXPAND; ANCHORED BY UNIVERSITY

We anticipate continued near-term growth in the parish's large tax base. Lafayette Parish is located in south central Louisiana on interstate 10. The parish is home to the cities of Lafayette, Broussard, Youngsville, Scott, and

Carencro. The Parish of Lafayette has a current population estimate of 230,845. The parish is part of a consolidated government between the city and the parish. Despite a slowdown in the national economy, over the last five years the parish's taxable value has experienced consecutive years of annual growth. The parish's 2014 full value of \$15.6 billion (equalized from a taxable assessed value of \$1.87 billion) reflects a solid 5.9% growth over the previous year. The parish's five year average annual growth in taxable value is strong at 4.5% for the time frame of 2009 to 2014. City-parish officials report Lafayette continues to attract businesses as well as act as a hub for retail sales in the region. Retail sales in 2013 eclipsed \$6.0 billion which was a new record. New big box retail outlets are opening operations throughout the city and parish, and established businesses' operations, on the whole, remain strong. The unemployment rate in the parish was also a markedly low 3.2% for April 2014, which was well below state and national averages for the same time period.

Lafayette is home to the University of Louisiana-Lafayette that has an enrollment of roughly 18,000. The parish's top taxpayers and employers include Schlumberger Ltd. (A1 / Stable outlook), Stuller Inc., and Our Lady of Lourdes Regional Medical Center. The parish top ten taxpayers make up 10.2% of the parish's total tax base. It was announced that the information technology company CGI will open a technology center in the University's research park. It is expected that the new facility will employ 400 workers. The American Community Survey data from 2000 to 2010 indicate average wealth levels, evidenced by a per capita income and median family income of 99.5% and 97.8% of national levels, respectively.

Moody's Economy reported in March 2014 that the combination of investments and rising energy prices lifts Lafayette's near-term outlook. Increased gulf drilling will spur growth in the energy industry, while several large capital injections position manufacturing for steady gains. Expansion will spill into private services, most notably

healthcare. Moody's Economy also reported that in the long term a lack of industrial diversity will leave the metro area trailing the U.S.

STABLE FINANCIAL PERFORMANCE AND ADEQUATE RESERVES SUPPORTED BY INCREASES IN SALES TAX COLLECTIONS

We believe the stable financial performance, which has been positively impacted by an increase in sales tax revenues, will continue in the near-term. Following multiple years of operating deficits in the combined city-parish government's General Fund (fiscal years 2009 through 2011), the city-parish government reduced expenditures, installed hiring freezes, and conservatively budgeted for incoming revenues to establish structural balance. Following the deficits, the General Fund experienced consecutive operating surpluses in fiscal 2012 and 2013. In fiscal 2013 the total General Fund balanced reached \$28.6 million (an adequate 24.5% of General Fund revenues), which reflected a \$4.3 million operating surplus after transfers in and out of the Fund. At fiscal year-end (October 31) 2013 the General Fund cash and investment position was \$27.8 million. The stabilizing financial performance of the city-parish's General Fund has been impacted by improving sales tax collections that have come in above conservative budgets. Sales tax collections in the General Fund alone totaled \$33.7 million in fiscal 2013 in comparison to \$32.5 million in fiscal 2012. The General Fund revenues in fiscal 2013 were predominately derived from sales and use taxes (28.9% of total General Fund revenues), property taxes (23.8%), and utility pilot payments (18.9%).

Year-to-date financial performance remains stable. Officials report continued scrutiny of hiring and close monitoring of expenditures. Continued increases in sales tax collections have aided the overall financial health of the General Fund. Officials anticipate a modest operating surplus in the General Fund for fiscal 2014. Future credit reviews will focus on management's ability to grow reserves in line with a growing budget, given a reliance on a volatile revenue stream such as sales tax collections.

MANAGEABLE DEBT PROFILE; REFUNDING FOR SAVINGS

We expect the parish's debt burden to remain average and manageable. Post-sale the parish will have \$61.6 million in outstanding debt. The parish's direct debt burden is slightly below average at 0.4%. The current sale will refund outstanding debt for a projected net present value savings. The parish's overall debt burden is 3.3%. Payout of the parish's principal debt outstanding is slow with only 53.8% of debt retired in ten years with all debt maturing in 2035. The parish has no variable rate bonds or swaps outstanding.

The City-parish government participates in the Municipal Employees Retirement System (MERS), Parochial Employees' Retirement System (PERS), State of Louisiana - Municipal Police Employees' Retirement System (MPERS) and the State of Louisiana - Firefighters' Retirement System (FRS). These systems are cost-sharing, multiple employer retirement systems which cover virtually all Lafayette Consolidated Government employees. Moody's adjusted net pension liability (ANPL) for the parish, under our methodology for adjusting reported pension

data, is \$276.4 million. This liability is equal to 1.70x annual operating revenues. This ratio is above average, compared to the 1 times ratio on average for local governments. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported contribution information, or the reported liability information of the statewide cost-sharing plans, but to improve comparability with other rated entities.

WHAT COULD MAKE THE RATING GO UP

- * Trend of solid financial performance leading to increase in reserves
- * Reduction in debt profile
- * Continued tax base expansion and diversification; strengthened socioeconomic profile

WHAT COULD MAKE THE RATING GO DOWN

- * Weak financial performance leading to narrowing of current reserve levels
- * Significant loss of taxable value
- * Increase in debt profile

KEY STATISTICS:

FY 2014 full valuation: \$15.6 billion

FY 2014 full value per capita: \$67,613

2010 ACS Median Family Income: 97.8% of US

Operating Fund balance as a % of operating revenues: 28.1%

5 year dollar change in fund balance as a % of operating revenues: -5.1%

Cash balance as a % of operating revenues: 27.3%

5 year dollar change in cash balance as a % of Revenues: -12.3%

Institutional Framework: Aa

Operating history: 5 year average of operating revenues/operating expenditures: 0.99x

Net direct debt/full value: 0.40%

Net direct debt/operating revenues: 0.66x

3 year average of Moody's adjusted pension liability/full value: 1.28%

3 year average of Moody's adjusted net pension liability/operating revenues: 1.36x

RATING METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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