

RatingsDirect®

Summary:

Concord, North Carolina; Appropriations

Primary Credit Analyst:

Lindsay Wilhelm, New York (1) 212-438-2301; lindsay.wilhelm@standardandpoors.com

Secondary Contact:

Linda Yip, New York (1) 212-438-2036; linda.yip@standardandpoors.com

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Summary:

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Credit Profile

Concord ltd oblig bnds

Long Term Rating

AA+/Stable

Upgraded

Concord certs of part

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Concord certs of part ser 2001 dtd 06/01/2001 due 06/01/2002-2013 2015 2017 2019 2021

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term and underlying ratings (SPUR) on Concord, N.C.'s certificates of participation and limited obligation installment purchase lease-backed bonds outstanding two notches to 'AA+' from 'AA-' based on our recently released local GO criteria and the city's maintenance of a very strong financial position. The outlook is stable.

The rating is based on our view of the lease provisions, which we believe are consistent with Standard & Poor's lease criteria, and the city's general credit fundamentals.

The rating reflects our assessment of the following credit factors:

- Strong local economy based on Concord's location in the heart of the broad and diverse Charlotte-Concord-Gastonia, N.C.-S.C. metropolitan statistical area. Projected per capita effective buying income is 91% of the national average, while market value per capita is \$134,305. Little taxpayer concentration exists, with the top 10 taxpayers representing 9.4% of total assessed value. Cabarrus County's unemployment rate averaged 8.8% in 2012, which was slightly above the national rate but below the state rate. The county's commercial and industrial base continues to expand and will likely be aided by a North Carolina Department of Transportation projects that will improve commercial access to Interstate 85. The city airport also recently added commercial flights for the first time and has the potential for further expansion.
- Concord retains very strong budgetary flexibility with available reserves, including the capital reserve fund, of \$55 million, or 88% of expenditures in 2012. Unassigned fund balance was \$43 million, or 57% of expenditures. We expect the city's reserve position to remain in excess of 30% of expenditures based on the city's reserve policy, which requires maintenance of unassigned fund balance of at least 30%-35% of expenditures.
- Strong revenue collections in fiscal 2012 led to a very strong budgetary performance, even after transfers to the capital reserve. The general fund surplus totaled \$4.5 million, or 7.1% of expenditures, while the total governmental funds surplus was 8.1%. We understand that the city budgeted to draw down approximately \$6.5 million of general fund reserves for capital purposes in fiscal 2013 (June 30 year-end), but due to positive revenue variances once again, the drawdown will likely be closer to \$2.5 million. As a result, we expect the budgetary performance score to

decrease somewhat based on fiscal 2013 projections, but for performance to remain strong.

- Concord also maintains a very strong liquidity profile with primary governmental cash and short-term investments (maturities of less than one year) representing 66% of governmental fund expenditures and in excess of 10x debt service. We also consider the city's access to external liquidity strong, with both appropriation-backed debt and utility debt outstanding.
- We consider Concord's management very strong with good financial policies. We believe that the city has consistently managed balanced operations, with any use of reserves applied to capital, rather than operating items.
- The city's debt and liability profile is strong, after including medium-term debt plans of \$18 million for a new city hall (net of projected amortization). Total governmental funds debt service represents 6% of expenditures, while net direct debt is 56% of revenue after subtracting self-support for utility debt. Amortization is rapid, with 72% of outstanding debt retiring in 10 years. Concord participates in the North Carolina Local Governmental Employees Retirement System and makes its full annual required contribution. The city also provides supplemental benefits to law enforcement officers on a pay-as-you-go basis. It continues to accumulate assets at the rate of approximately \$100,000 per year toward its other postemployment benefit liability but has only \$238,000 set aside against a \$23.8 million liability.

We consider the Institutional Framework score for North Carolina municipalities very strong. See "Institutional Framework Overview: North Carolina Local Governments," published Sept. 12, 2013.

Outlook

The stable outlook reflects our view of Concord's very strong finances and consistently strong budgetary performance coupled with a strong debt profile. The city's stable local economy and potential for economic growth are additional stabilizing factors. For these reasons, we do not anticipate changing the rating within the two-year outlook horizon.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: North Carolina Local Governments, Sept. 12, 2013

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