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**Summary:**  
Richland County, South Carolina;  
General Obligation

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Summary:

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Credit Rating		
US\$8.4 mil GO bonds due 03/01/2013		
<i>Long Term Rating</i>	AA+/Stable	New
Richland Cnty GO		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
<b>Richland Cnty GO</b>		
<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) on Richland County, S.C.'s general obligation (GO) debt one notch to 'AA+' from 'AA' based on the county's historically strong financial position, which has continued to increase reserves, and the strengthening of its formal reserve policy. The outlook is stable.

The stability of the area economy has also factored into the upgrade.

Standard & Poor's also assigned its 'AA+' long-term rating, and stable outlook, to the county's series 2009A GO bonds.

In our opinion, the ratings reflect the county's:

- Diverse area economy, anchored by Columbia, S.C., the state capital, that continues to benefit from ongoing economic development;
- Consistent growth in an already sizable property tax base with no concentration among leading taxpayers;
- Strong financial position with improved reserves, a direct result of long-term planning and ongoing conservative management; and
- Moderate debt burden, coupled with limited additional capital needs.

The county's full faith and credit pledge secures the GO bonds. Officials are planning to use bond proceeds to finance the costs of certain sheriff department vehicles, the construction of a public safety building, and digital radios.

Richland County is in central South Carolina, encompassing 756 square miles, including Columbia. The current population estimate of 355,181 in 2008 increased by almost 11% since the 2000 U.S. Census. The area economy is diverse and continues to see economic development in the public and private sectors, albeit at a slower pace than in previous years. Since 2004, the county has seen more than \$500 million of new capital investment, creating 3,270 new jobs, with additional investments expected in the near future. Columbia is the business and financial center for

a large portion of the state. The government (local, state, and federal) and service sectors account for a significant 62% of county employment combined. In addition to Columbia, Fort Jackson, the U.S. Army's largest and most active initial entry training center, and the University of South Carolina's main campus are within county borders, all of which provide economic stability, especially during recessionary periods. Due to the last base realignment and closure in 2005, Fort Jackson has seen significant expansion, employing 3,900 military personnel and 5,200 civilians. With the help of the University of South Carolina Development Foundation and other public-private partnerships, the University of South Carolina campus continues to expand. Innovista, a new research campus that has been constructed recently, consists of the Arnold School of Public Health and two new research campuses available for occupancy. To date leasing has been modest due to the economic slowdown. Leading county industrial employers include:

- Westinghouse Electric Corp. (1,200 employees), nuclear fuel assemblies;
- CSC Corp. (1,100), computer technology; and
- Bose Corp. (960), radios.

Leading nonindustrial employers include Palmetto Health Alliance Inc., Blue Cross Blue Shield of South Carolina, and University of South Carolina. County unemployment has been historically below the state's rate but modestly above the nation's rate. Although county unemployment spiked to 9.5% in July 2009 compared with 6.1% annually in 2008, it remains below state and national rates.

The county's property tax base continues to demonstrate consistent growth. The tax base grew by an average of 6.1% annually over fiscals 2005-2009 to \$1.378 billion in fiscal 2009, or a comparable \$25.340 billion market value. This translates into a per capita market value of \$71,348, a level we consider strong. Furthermore, leading taxpayers account for a very diverse 9.5% of the total tax base. Despite the sizable military and student population in the county, wealth and income levels are a good 109% of the state's level and 95% of the nation's level.

Richland County's financial position remains strong. Due to a long-term strategy, implemented in fiscal 2000, to rebuild reserves through increasing nontaxable revenues and making ongoing expenditure cuts, the county has achieved large operating surpluses over the past six consecutive years, growing reserves. The county closed fiscal 2008 with a \$7.5 million surplus, net of transfers. The ending general fund balance was \$52.76 million, or 43.7% of expenditures: \$47.15 million, or 39.1%, of which was unreserved. Over fiscals 2004-2008, the county's unreserved general fund balance averaged 28.6% of expenditures. Furthermore, the county's unreserved, undesignated general fund balance totaled \$38.285 million, or 31.7% of expenditures, in-line with the county's formal policy of maintaining 20.0%-35.0%. The county modified its formal reserve policy in fall 2008 to require the maintenance of the unreserved, undesignated balance at a larger 20%-35% of expenditures from 15%.

Officials are projecting unaudited fiscal 2009 to end with a modest operating surplus of approximately \$645,000 and an ending general fund balance of \$53.4 million: \$37.0 million, or 27% of expenditures, of which is unreserved, undesignated. The fiscal 2010 budget totals \$133.79 million, a 4.5% decrease from the 2009 adopted budget. The budget also includes a \$2.5 million appropriation of reserves for one-time capital needs.

Standard & Poor's considers Richland County's management practices "strong" under its Financial Management Assessment (FMA) methodology, indicating policies are strong, well embedded, and likely sustainable. The change in the FMA score to strong from good reflects the implementation of certain new policies and the strengthening of existing ones.

The county's overall debt burden is a moderate \$2,948 per capita, or 4.1% of market value. Management attributes most of this debt to county school districts Nos. 1 and 2, which accounted for 95% of overlapping debt. On a direct debt basis, the county's debt burden is a very low \$326 per capita, or 0.5% of market value. Debt service accounted for a moderate 11% of total governmental expenditures. The county's 10-year, 2009-2018, capital improvement plan is a very modest \$28.61 million: 87%, or \$24.80 million, of which management intends to finance through bond issuances. The county plans to issue \$4.0 million for a new alcohol and drug abuse center, \$2.0 million annually for the replacement of sheriff vehicles, and \$1.6 million every two years for the public safety facility program.

## Outlook

The stable outlook reflects the county's diverse economic base and strong financial position. Standard & Poor's expects the county will continue to maintain its strong financial operations and manageable debt burden as it addresses ongoing capital needs.

## Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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