

# South Carolina Local Governments: Sector Trends

SC Financial Concepts & Strategies Institute, December 2018

# Agenda

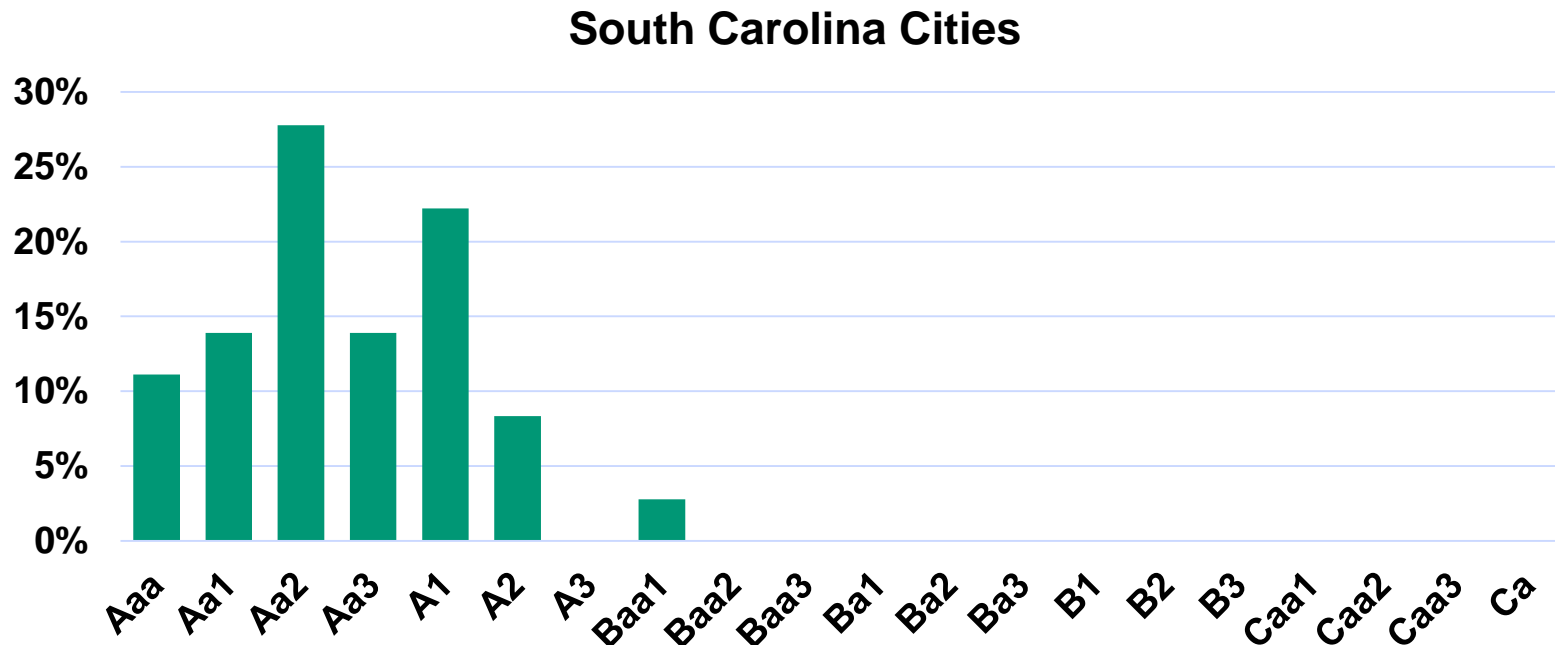
1. Summary of Rated Universe
2. South Carolina Sector Trends
3. Conclusion + Things We're Watching
4. Questions?

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Summary of Rated  
Universe

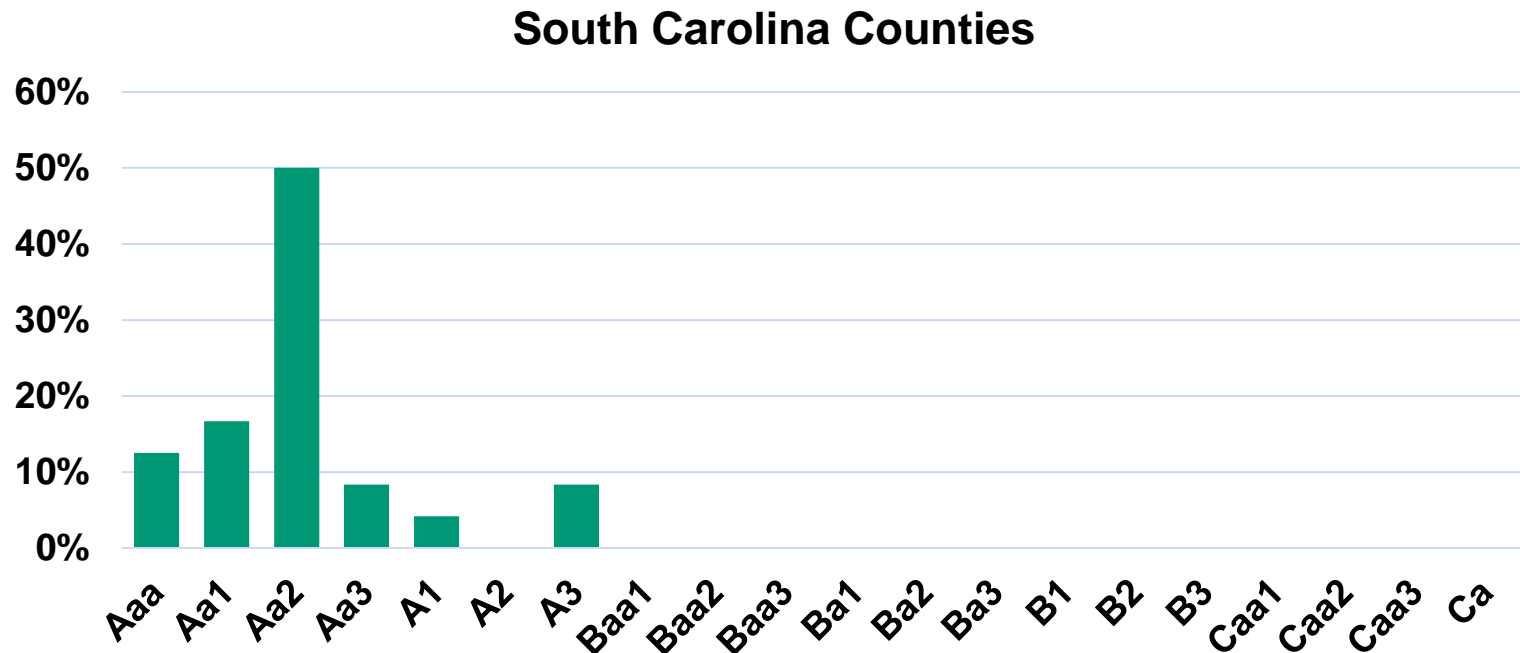
# Moody's Rated South Carolina Cities

- » We currently maintain public ratings on 36 cities in South Carolina
- » Most rated South Carolina Cities (67%) are rated on par or higher than the national median rating for cities of Aa3.



# Moody's Rated South Carolina Counties

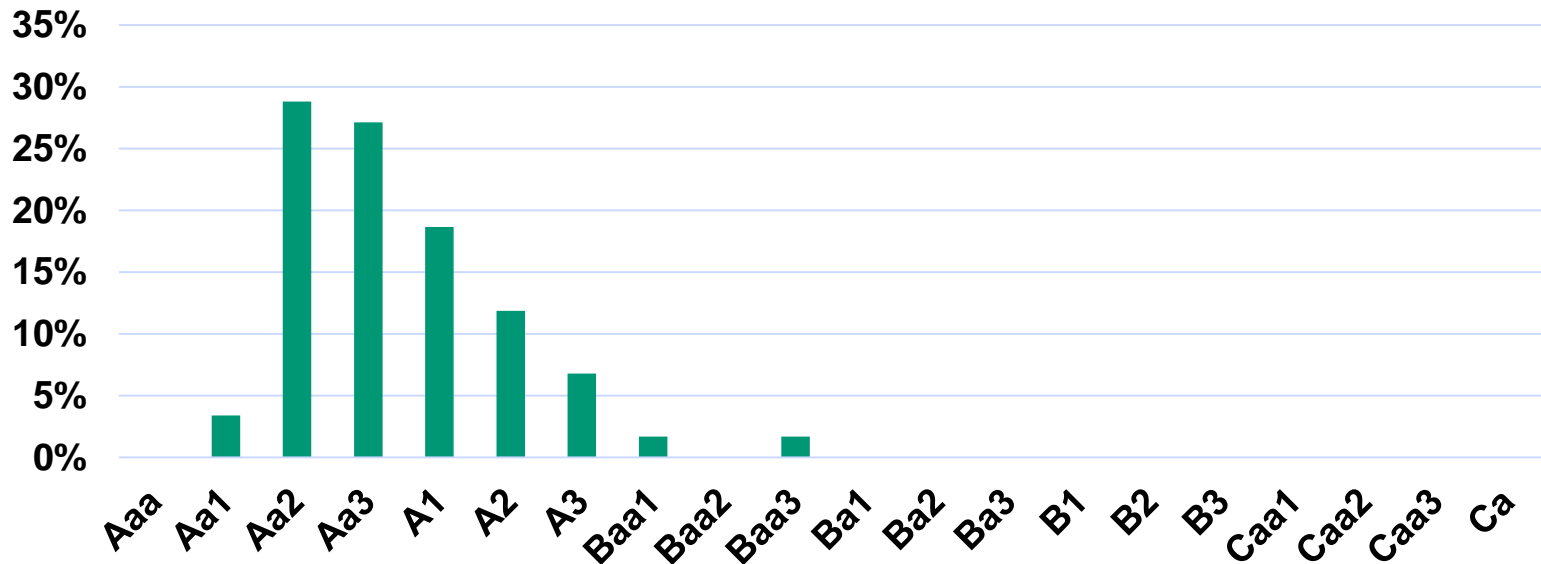
- » We currently maintain public ratings on 24 counties South Carolina
- » Most rated South Carolina Counties (79%) are rated on par or higher than the national median rating for counties of Aa2.



# Moody's Rated South Carolina School Districts

- » We currently maintain public ratings on 59 districts in South Carolina
- » Most rated South Carolina School Districts (59%) are rated on par or higher than the national median rating for school districts of Aa3.

South Carolina School Districts



# 2

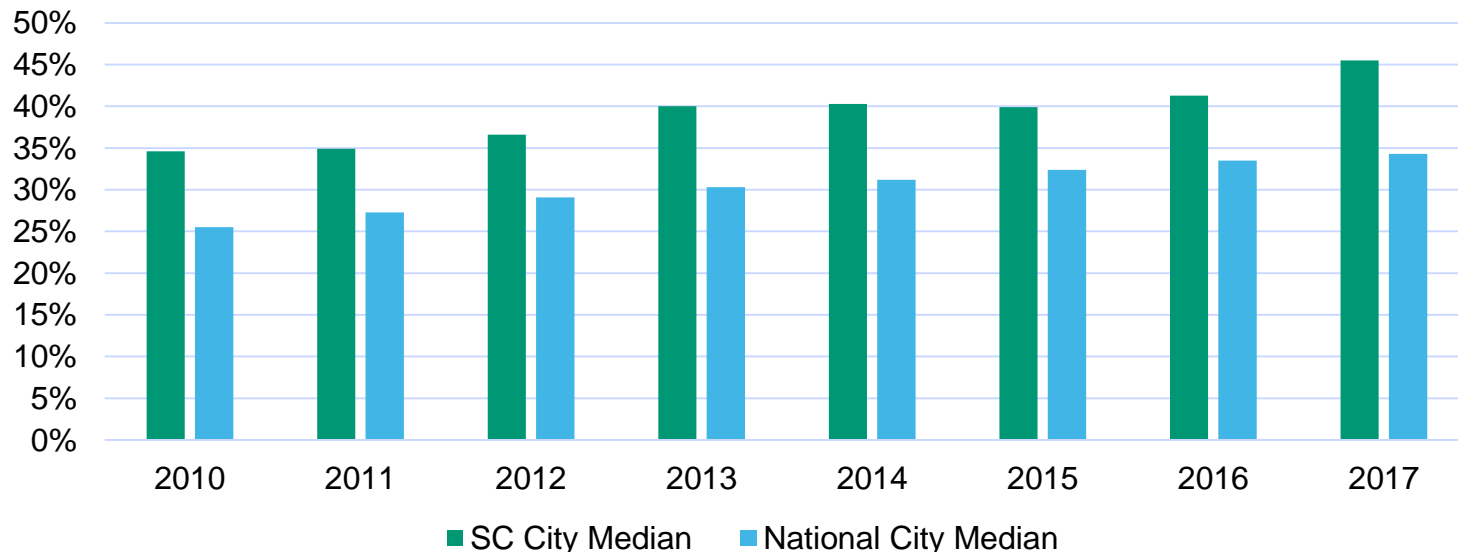
## South Carolina Sector Trends: Strengths and Challenges

# Healthy Fund Balance Reserves and Liquidity

## Levels for SC Cities Higher Than National Medians

- » Higher fund balance levels provide greater operating flexibility and help LGs to manage through economic downturns and contingencies.
- » For coastal municipalities, maintaining stronger reserves is necessary to manage through weather events before FEMA reimbursements

City Available Fund Balance as % of Revenues



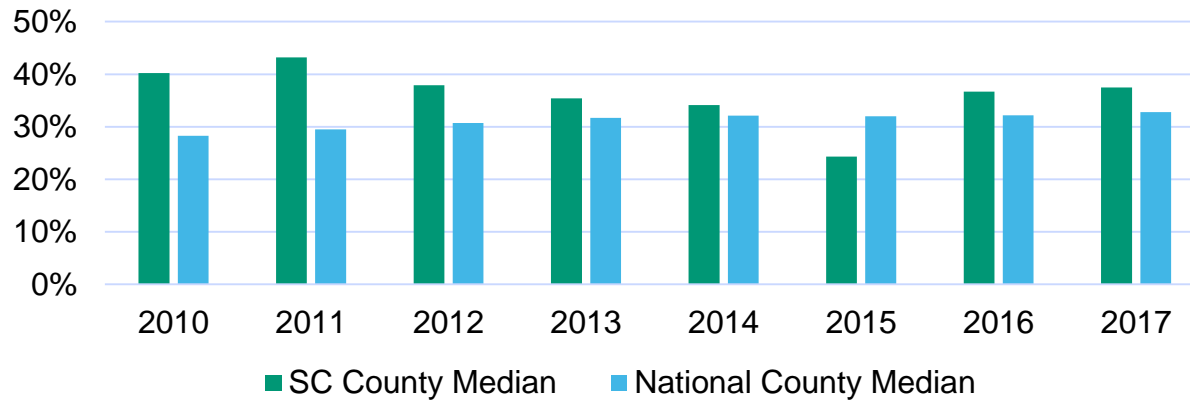
Source: Moody's Investors Service



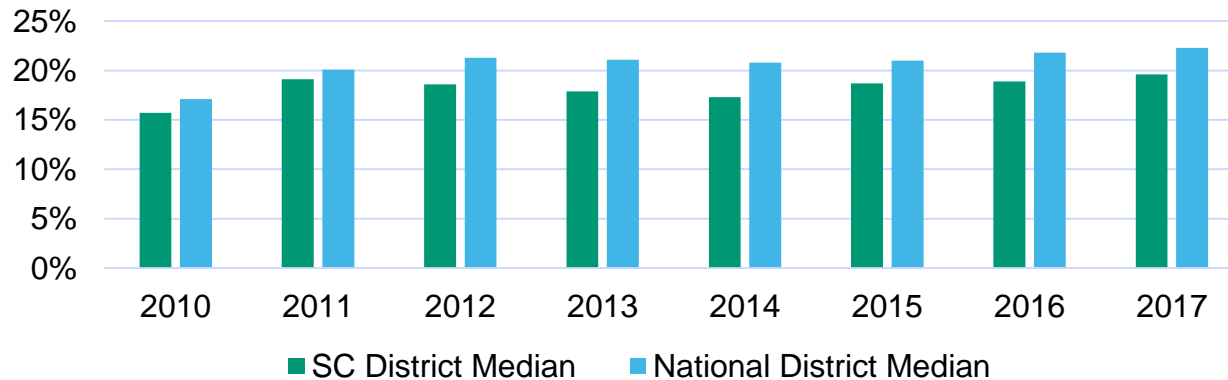
# Healthy Fund Balance Reserves and Liquidity

## Available Operating Fund Balance as % of Revenues

### Counties



### School Districts

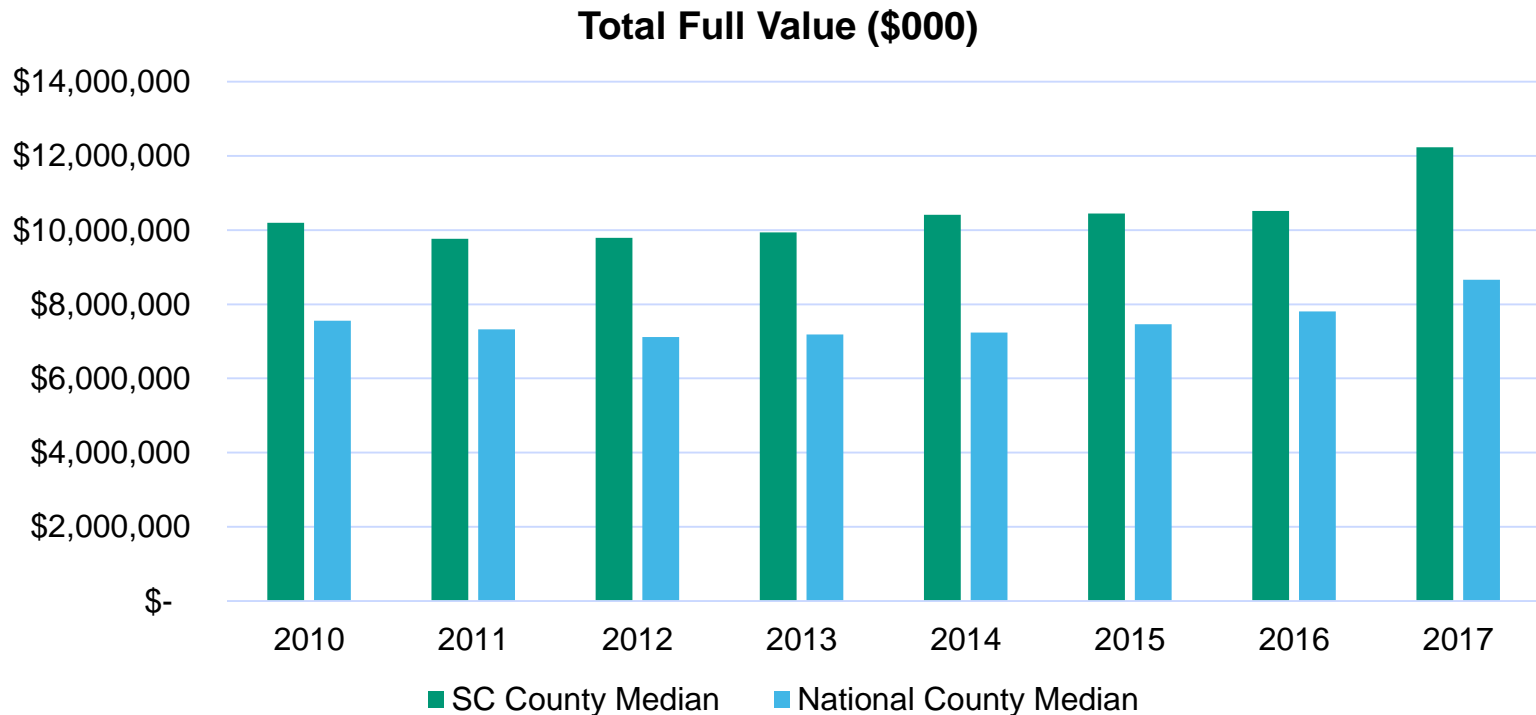


Source: Moody's Investors Service

# Tax Base Growth in SC Outpacing Nation

## Median Total Full Market Value Between Fiscal 2010-2017

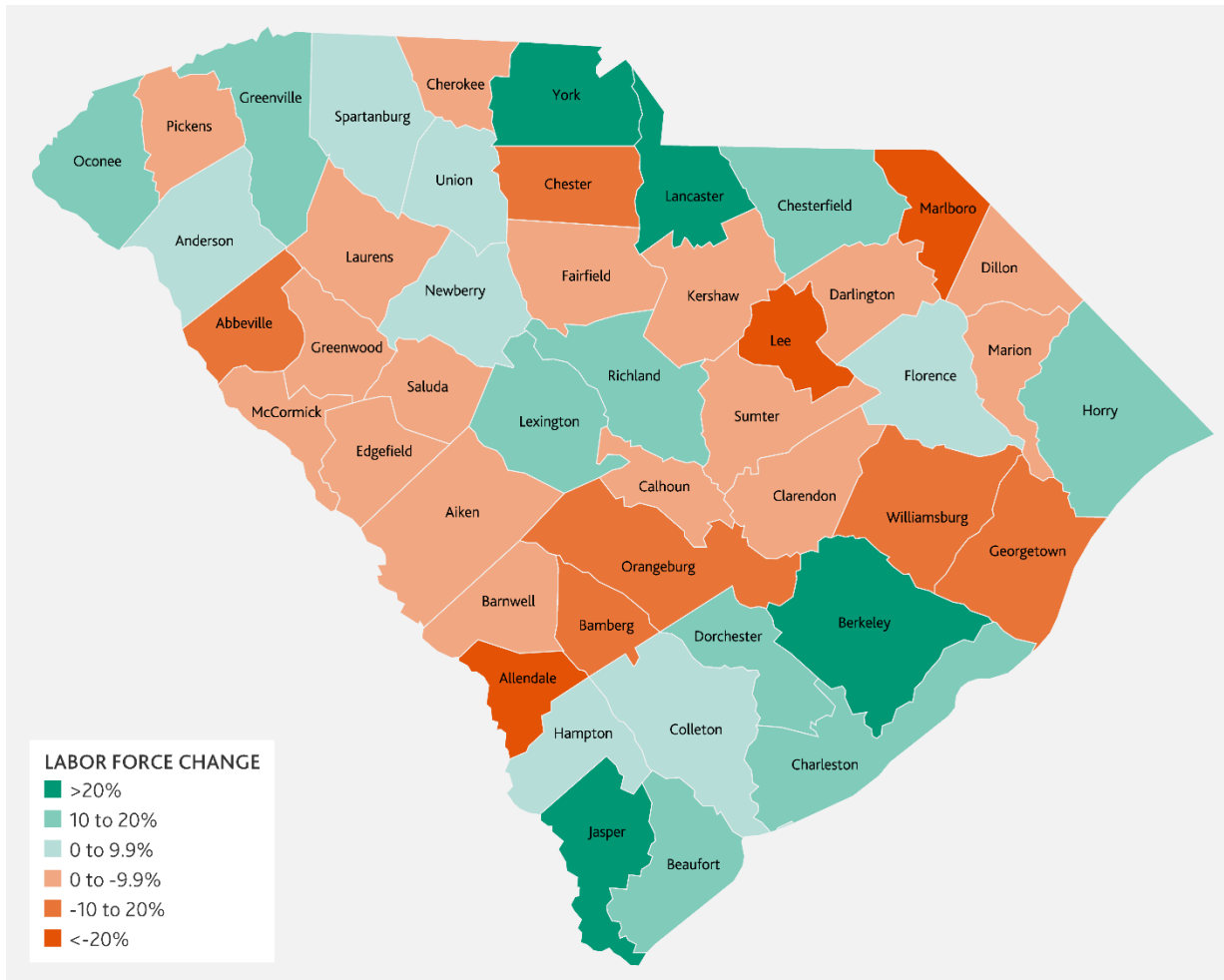
- » Growth driven by new commercial, industrial, and residential developments as well as property value appreciation



Source: Moody's Investors Service

# Labor Force Trends

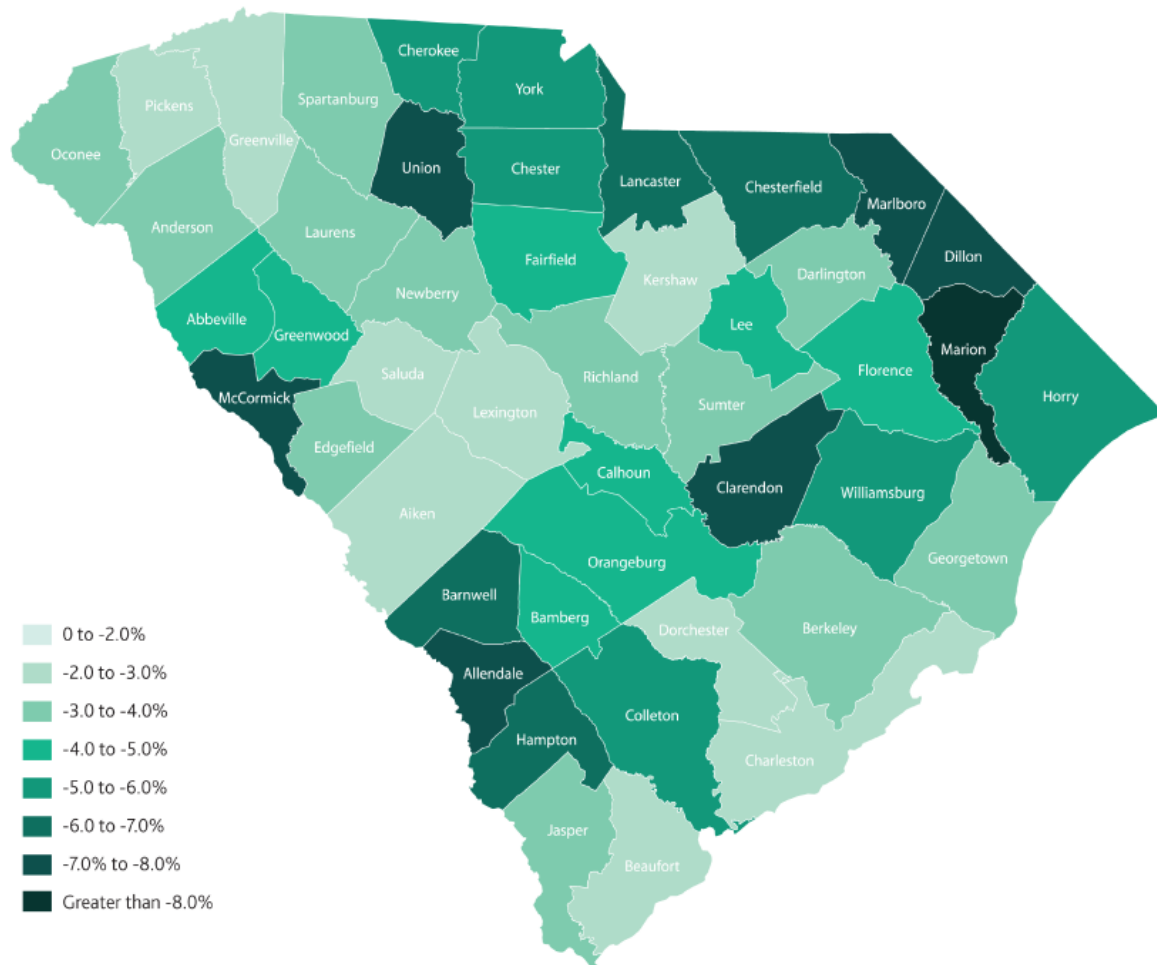
## % Change in Labor Force Between 2007-2017



Sources: US Census Bureau

# Unemployment Rates Continue to Decline

## County Level 5-Year Net Change (2012-2016)

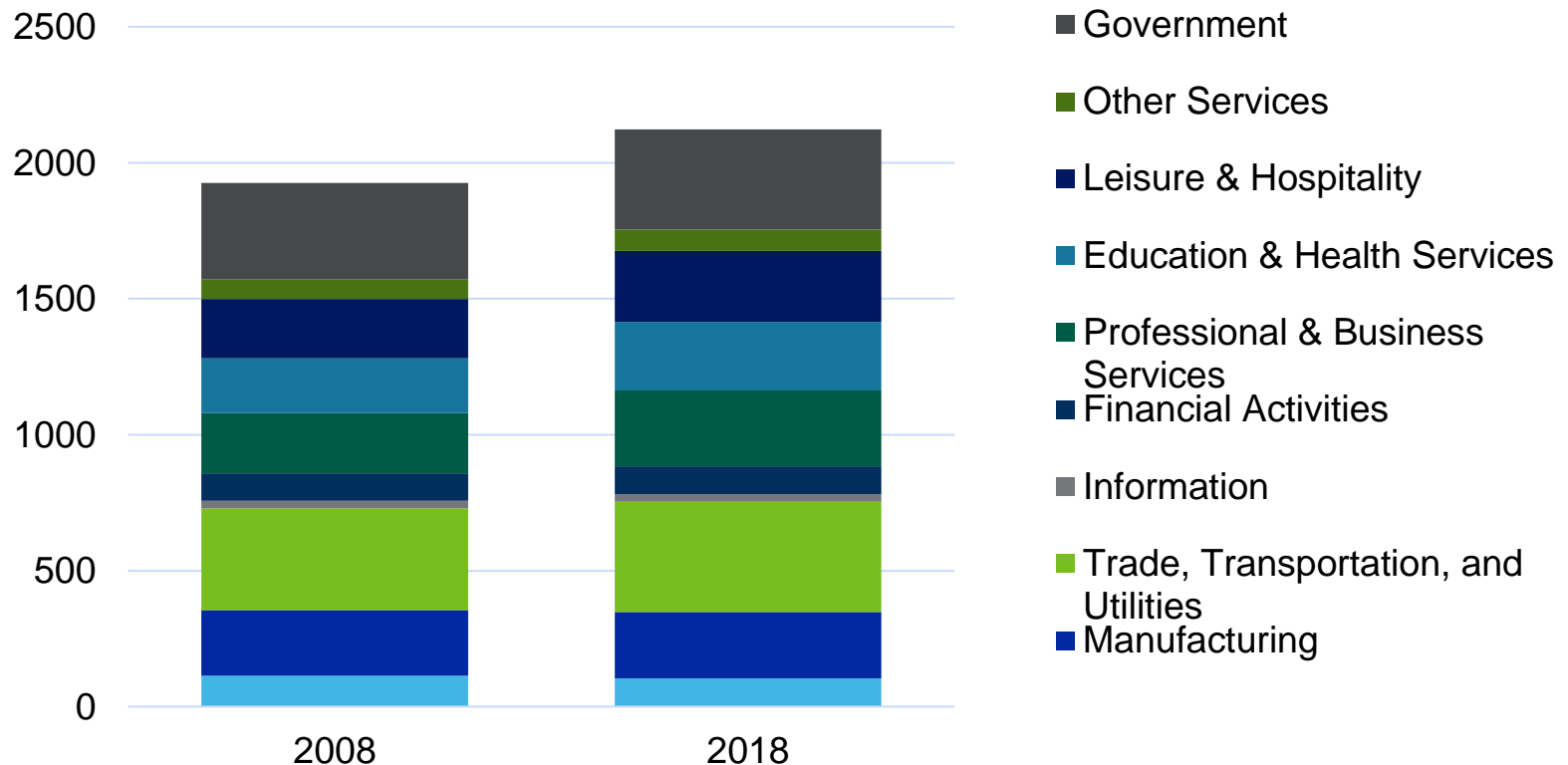


Sources: US Bureau of Labor Statistics

# Industry Mix Has Remained Relatively Stable

## Major Industries in South Carolina from 2008-2018

- » Largest growth seen in Professional & Business Services, Education & Health Services, and Leisure & Hospitality industries

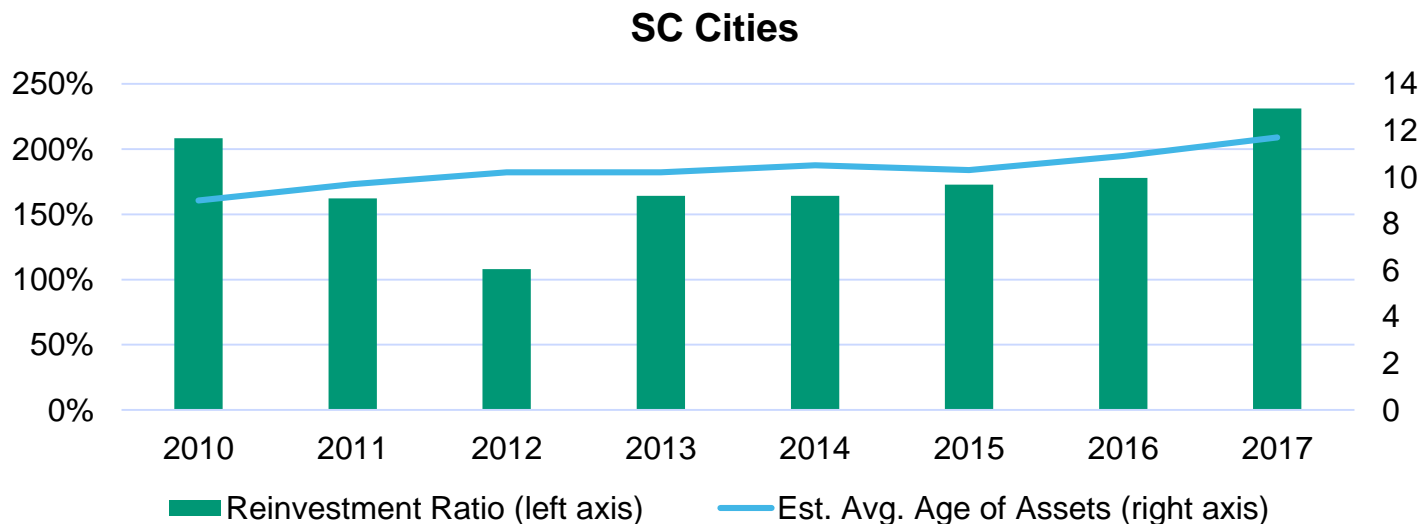


Sources: Bureau of Labor Statistics

# Growing Demand for Infrastructure Investment

## Reinvestment Ratios Declined Following Recession

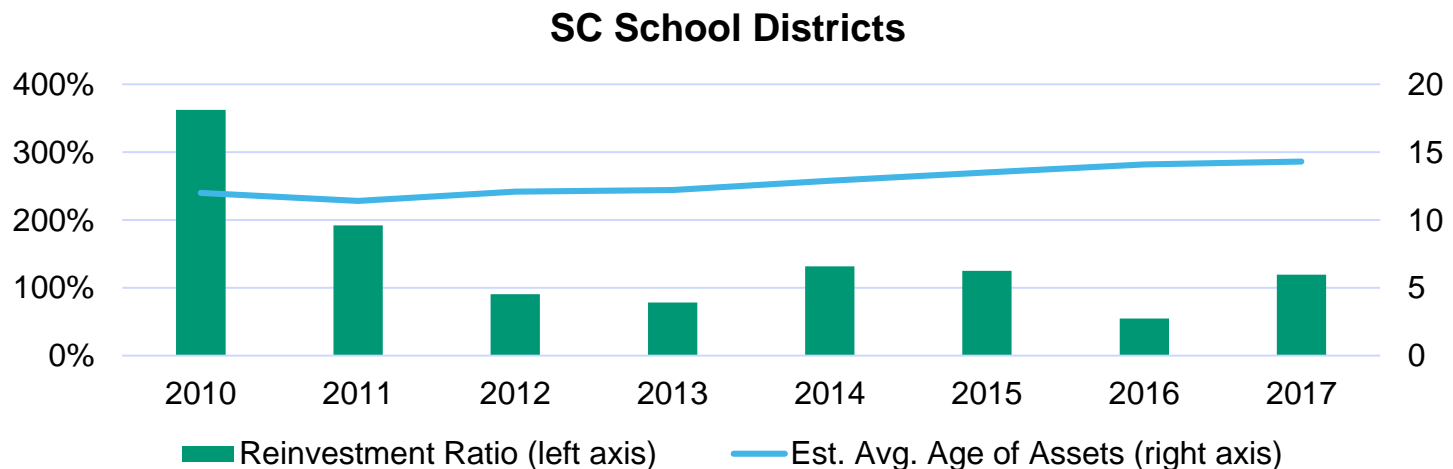
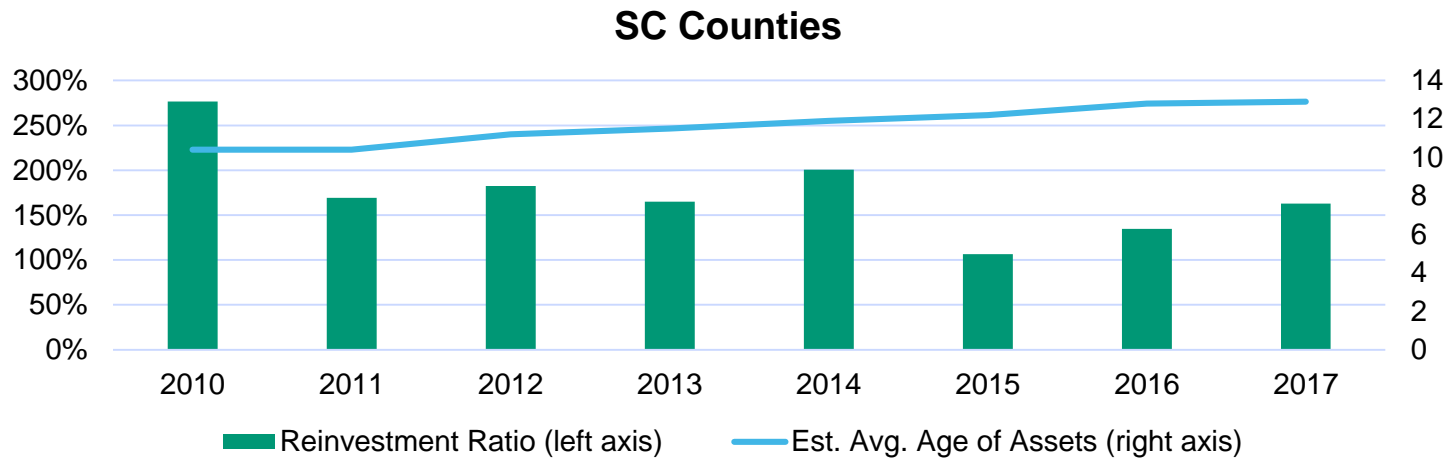
- » Many local governments in SC slowed capital spending during the recession and subsequent recovery to maintain financial balance
- » As the median reinvestment ratios declined, the median age of capital assets increased slightly
- » Slight uptick in reinvestment in fiscal 2017



Source: Moody's Investors Service

# Growing Demand for Infrastructure Investment

## Reinvestment Ratios Declined Following Recession

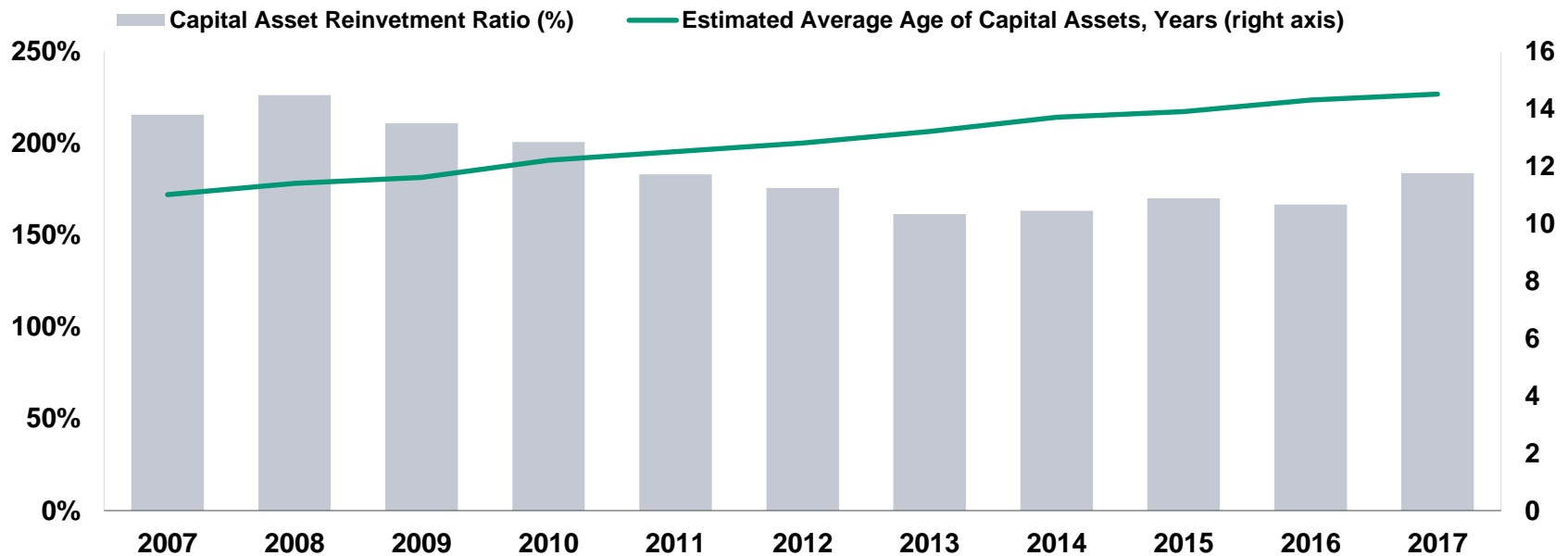


Source: Moody's Investors Service

# Growing Demand for Infrastructure Investment

## The Same Trend is Being Seen Nationally

- » Across all the local governments that we rate, capital asset reinvestment is lower than it was prior to the Great Recession
- » The average age of local government capital assets is also increasing

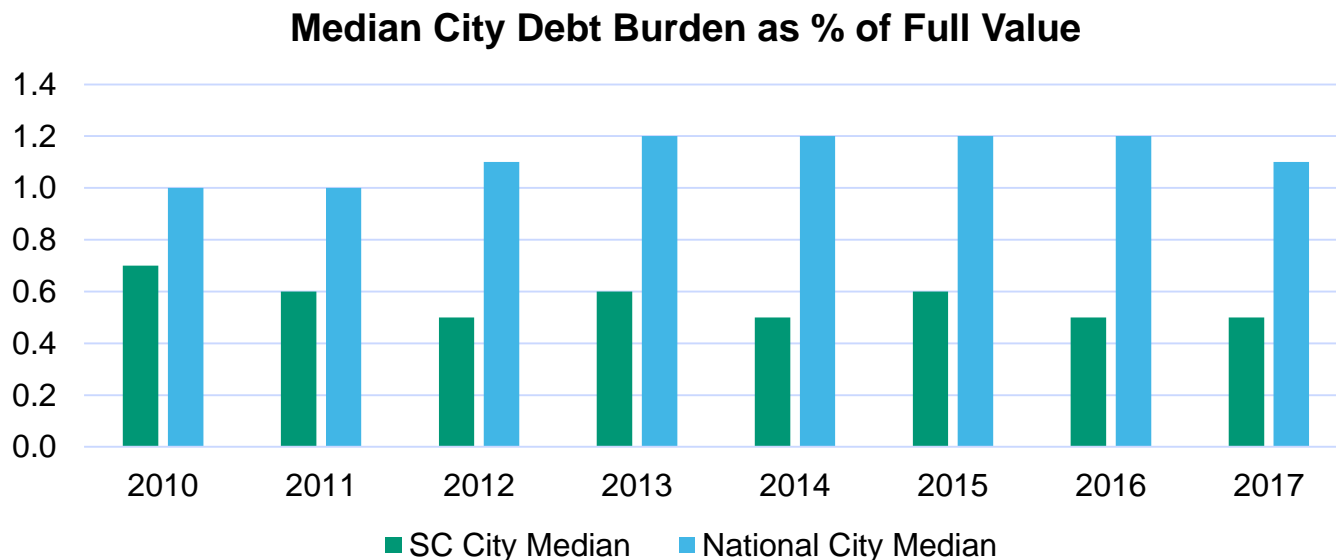




# Debt Burdens are Manageable Overall

SC is On Par With or Below The Nation, Except for Schools

- » Municipalities with high debt burdens may find it more difficult to service existing debt and to afford additional debt.
- » Highly leveraged issuers are more susceptible to tax base or financial deterioration, creating difficulties funding debt service expenditures

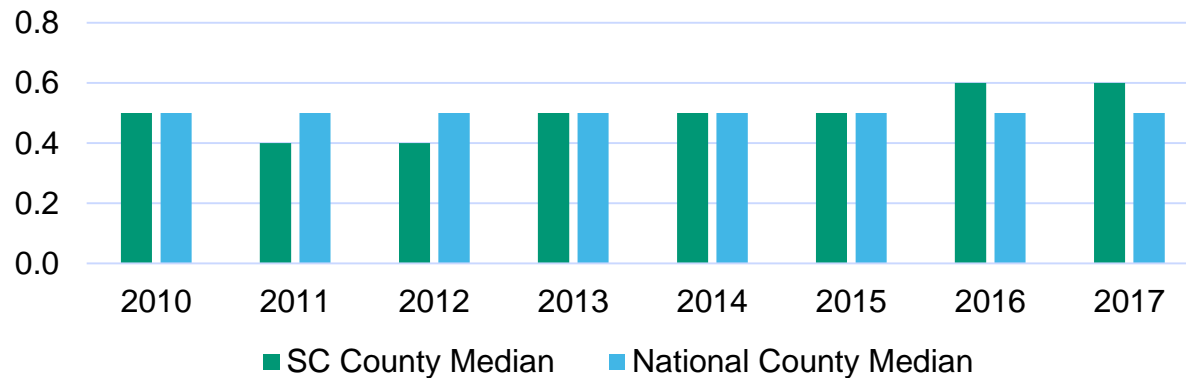


Source: Moody's Investors Service

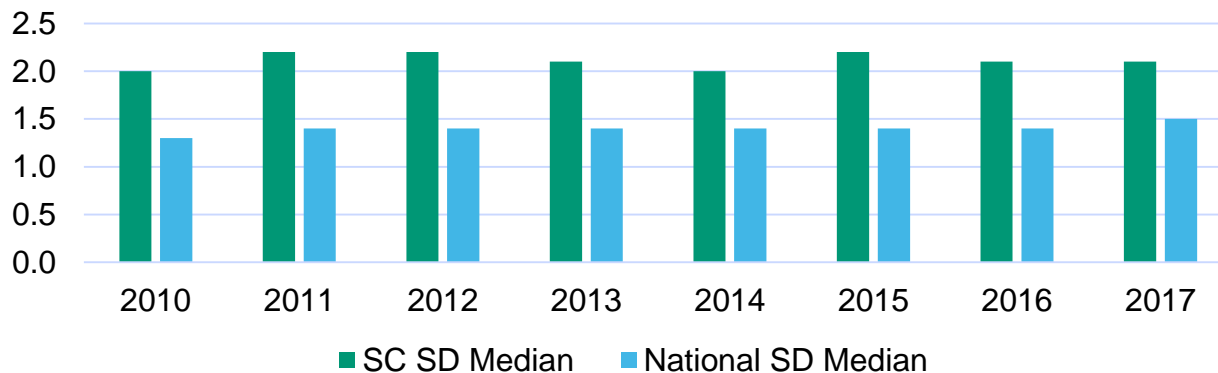
# Debt Burdens are Manageable Overall

SC is On Par With or Below The Nation, Except for Schools

### Median County Debt Burden as % of Full Value



### Median School District Debt Burden as % of Full Value

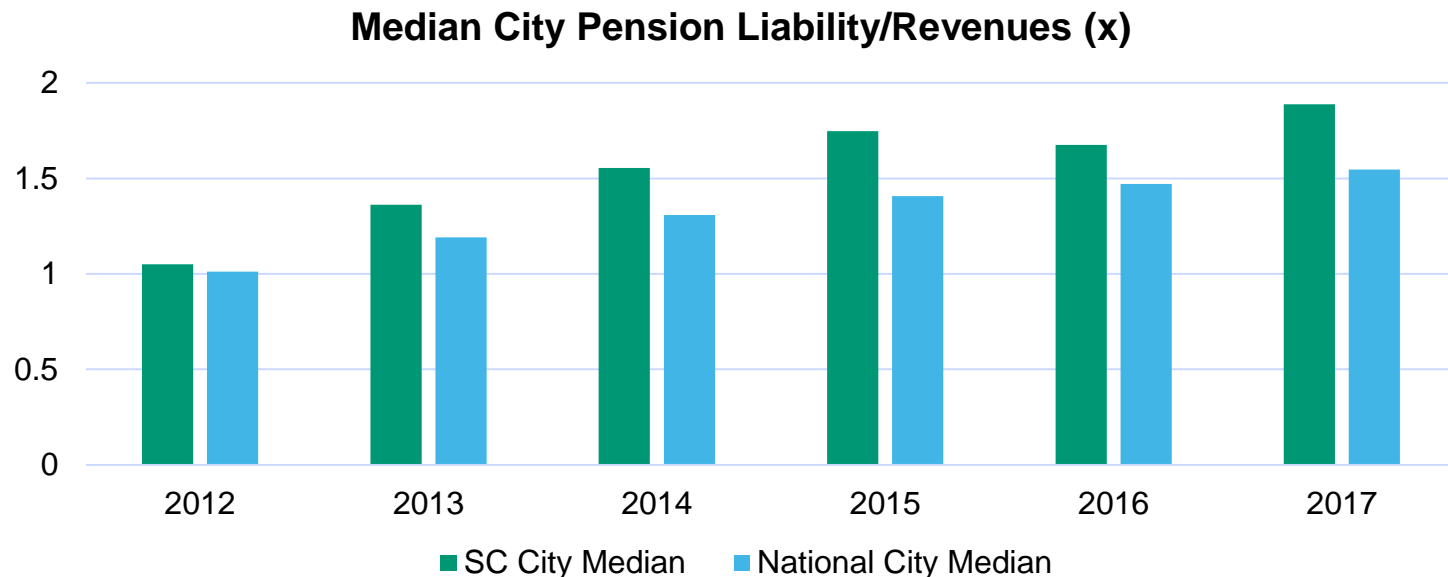


Source: Moody's Investors Service

# Pension Liabilities

## SC Pension Liabilities Are Higher Than National Medians

- » The Moody's Adjusted Net Pension Liabilities times operating revenues (x) for rated SC Municipalities tends to be higher than national peers
- » Increasing contribution rates may pose budgetary challenges for some

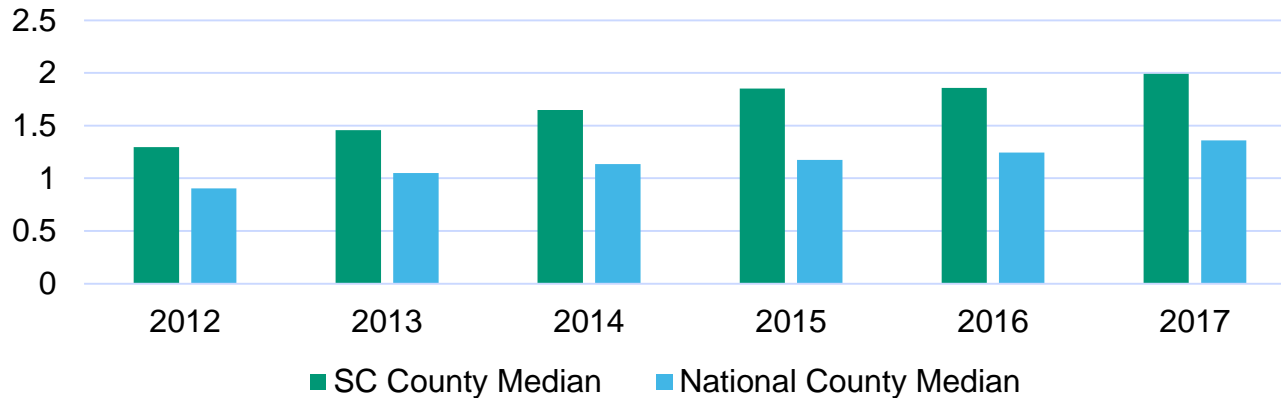


Source: Moody's Investors Service

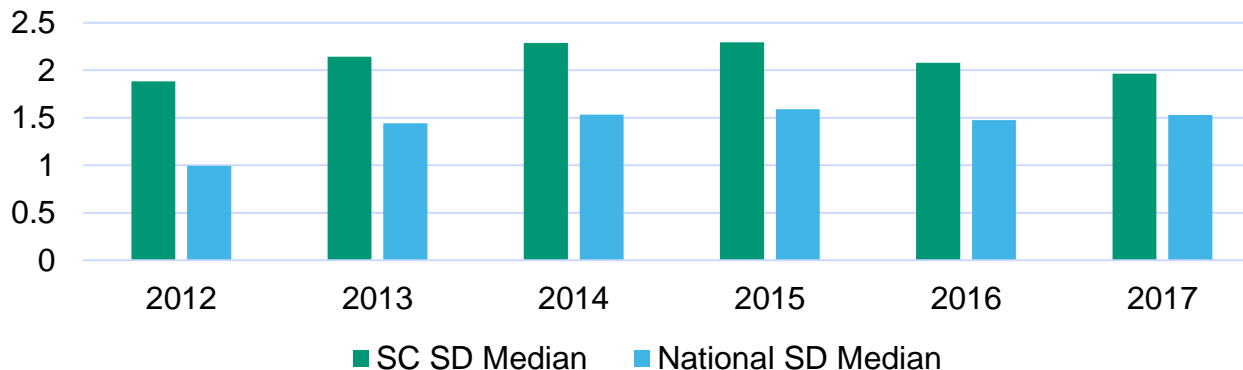
# Pension Liabilities

## SC Pension Liabilities Are Higher Than National Medians

**Median County Pension Liability/Revenues (x)**



**Median School District Pension Liability/Revenues (x)**



Source: Moody's Investors Service

# 3

Conclusion +  
Things We're  
Watching

# Conclusion

## Summary of Topics Covered

- » Our rated universe of South Carolina Cities, Counties, and School Districts generally have solid credit profiles, and challenges such as growing capital/infrastructure needs or rising pension costs are things we'll be monitoring but are likely to be manageable.
  
- » Some national challenges we're also focused on:
  - Environmental risks
    - › What's your exposure and “sensitivity” to that exposure?
  
  - Cyber security awareness and resiliency
    - › Increase in frequency of cyber security incidents

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Questions?



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