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April 23, 2007 03:37 PM Eastern Daylight Time

Fitch Rates Parish of Terrebonne, Louisiana $10MM GOs 'A+'

NEW YORK--(BUSINESS WIRE)--Fitch assigns an 'A+' rating to the $10 million general obligation (GO) bonds, series 2007 of Terrebonne Parish, Louisiana (the parish). Additionally, Fitch affirms the 'A+' rating on the $9.6 million in parish GO bonds outstanding and the $25.2 million in public improvement sales tax bonds (PIBs) and $10.3 public library sales tax bonds also outstanding. The series 2007 bonds are scheduled to sell on May 9 via competitive bid. Fiscal Services, Inc. in Baton Rouge is financial advisor to the parish. The Rating Outlook is Stable.

The 'A+' general obligation rating is based on the low property tax-supported debt levels, a stable and growing tax base, and consistently solid financial results. The rating also takes into consideration tax base and employment concentration in petroleum and supporting industries and the dependence upon sales and use tax collections for operational and capital needs. The parish was able to sustain its sound financial position despite flooding and wind damage from Hurricanes Rita and Katrina in 2005 due in part to ample reserves. The local economy shows signs of stabilizing to more historical rates of growth after rebuilding efforts since the hurricanes. Recent financial performance suggests the parish will be able to maintain its financial profile satisfactorily over the near term.

The parish is located on the Gulf of Mexico in southern Louisiana, 50 miles southwest of New Orleans, with approximately 110,000 residents in 2006 according to the Census Bureau; this number represents a modest population gain since 2005. It is the second largest parish in the state at approximately 2,080 square miles, although a sizable portion has been lost due to coastal erosion, and land area of the parish continues to diminish annually. The parish is a consolidated government created in 1984 through the merger of the City of Houma and the Terrebonne Parish Police Jury. Major industries within the parish include oil/gas production, oilfield services and fabrication, commercial fishing, marine transportation, and shipbuilding.

The tax base has demonstrated steady, stable growth over the past five years at an average annual rate of 6.8%. The top 10 taxpayers contribute an above average 17% of the total assessed valuation with nine entities in this category representing oil/gas and related industries. Parish officials indicate that additional retail and commercial projects are in various stages of planning and construction, particularly in West Houma.

While the general fund provides for the basic service delivery for the parish, several essential services are recorded in separate funds. The general fund provides support to several of these funds, including the public safety fund, road and bridge fund, civic center fund, and capital projects fund. Conservative revenue estimating and prudent use of one-time revenues have led to positive financial performance through 2005. The general fund ended 2005 with a sizeable total fund balance of $16.7 million, representing 80% of expenditures and transfers out for the year, and an unreserved, undesignated fund balance of $14.3 million or almost 70% of expenditures and transfers out.

The parish historically has outperformed its budget both in revenues and expenditures, so despite a budgeted operating general fund deficit of not quite $1.8 million for 2007, conservative property and sales tax revenue estimation and transfers for capital projects should act as buffers to offset any further declines. The total general fund balance of $20.4 million projected for the close of fiscal 2006 will help mitigate any revenue shortfall or expenditure contingencies that may arise. In addition, the parish maintains a dedicated emergency fund that maintains a minimum of $2 million.

This issuance is the third installment of a $20 million GO bond authorization approved by voters in November 2004 with the remaining $5 million to be issued in 2008. The tax rate required to support repayment of the entire authorization and the parish's outstanding GO bonds is expected to be 4.31 mills. Currently, amortization of property-tax supported debt is slightly above average with 55% retired in 10 years. The direct debt burden is low at 1.2% of market value and direct debt per capita is slightly more than $500. Although property tax supported debt is modest, the use of sales tax secured debt financing has been utilized significantly over the past decade through incremental voter-approved dedicated sales tax propositions.

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