

**New Issue: Moody's upgrades to Aaa Greenville, SC's \$8.3M GO debt; Outlook stable**

---

Global Credit Research - 11 Nov 2015

**Assigns Aa2 rating to \$18.9M IPRBs, Series 2015**

GREENVILLE (CITY OF) SC  
Cities (including Towns, Villages and Townships)  
SC

**Moody's Rating**

<b>ISSUE</b>	<b>RATING</b>
Taxable Installment Purchase Revenue Bonds (City of Greenville, South Carolina Project) Series 2015	Aa2
<b>Sale Amount</b>	\$18,940,000
<b>Expected Sale Date</b>	11/30/15
<b>Rating Description</b>	Lease Rental: Appropriation

**Moody's Outlook** STA

NEW YORK, November 11, 2015 --Moody's Investors Service has upgraded to Aaa the rating on the City of Greenville's (SC) \$8.3 million of outstanding general obligation debt. Concurrently, Moody's has assigned an initial Aa2 rating to the city's \$18.9 million Taxable Installment Purchase Revenue Bonds (City of Greenville, South Carolina Project), Series 2015. The outlook is stable.

**SUMMARY RATING RATIONALE**

The high quality Aaa rating reflects the city's regionally important and diverse tax base, well-managed financial position with ample reserves and liquidity, and average debt profile.

The Aa2 on the city's IPRBs are rated two notches below the city's general obligation debt rating due to the risk of non-appropriation and the less essential nature of the financed project, which includes leasehold interest on the city's parking facilities.

**OUTLOOK**

The stable outlook reflects our expectation the city's financial position will remain solid given strong management with conservative budgetary practices and prudent fiscal policies. Additionally, the city's tax base is expected to continue its trend of modest growth driven by ongoing residential and commercial development spurred by an expanding manufacturing, higher education and medical sectors.

**WHAT COULD MAKE THE RATING GO DOWN**

- Failure to maintain structural balance, resulting in deteriorated financial position
- Weakening of regional economy leading to significant tax base loss and decreased wealth
- Non-appropriation on the city's IPRBs

**STRENGTHS**

- Regionally important economy bolstered by various higher education, medical and manufacturing
- Diverse tax base experiencing ongoing growth

- Strong management with prudent policies
- Sound fiscal position with ample reserves and liquidity

#### CHALLENGES

- Exposure to economically sensitive revenues

#### RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

#### DETAILED RATING RATIONALE

##### ECONOMY AND TAX BASE: DIVERSE TAX BASE AT CENTER OF REGIONALLY IMPORTANT ECONOMY

Greenville's moderately-large tax base is expected to continue its trend of modest growth driven by residential and commercial development. Strategically located along the Interstate 85 corridor in the northwestern region of South Carolina (Aaa stable), the City of Greenville serves as the economic and employment hub of the larger multi-county region, with a mature and diverse tax base that includes advanced manufacturing, higher education, medical and service industries. Downtown City of Greenville is upstate South Carolina's largest business district, with over 3 million square feet of office space. This area is also one of the most popular dining and entertainment destinations for the area, with more than 125 restaurants and pubs located around the city's Main Street.

The Greenville region serves as an economic center to the state, supported by expanding education and research and development sectors. The city reports that Greenville County has seen new capital investment of \$1.5 billion and has added approximately 8,940 new jobs to the region from 2010 to 2014; capital investments equaled \$375 million in 2015 with 1,897 new jobs. The automotive industry continues to strengthen, with BMW's (BMW AG (P)A2 positive) ongoing investments in its manufacturing plant located in the City of Greer, SC. BMW has invested more than \$7.0 billion in the plant since it began operations in 1994, and announced a \$1.0 billion expansion plan, the fifth expansion since it opened, increasing its workforce by 800 new jobs (8,000 employed). The region further benefits from a range of transportation options, with access to air, interstate, rail and the inland port in Greer that connects the region to the three state seaports, the City of Charlotte (Aaa stable), and City of Atlanta (Aa2 positive).

The city is also located between two major South Carolina universities, the University of South Carolina (Aa2 stable) in Columbia (Aa1) and Clemson University (Aa2 stable) in Clemson, which has helped drive investment interest in the region. The University of South Carolina's Medical School and Clemson's MBA program are located in the city of Greenville after having renovated and constructed new facilities for their respective programs. The Clemson University International Center for Automotive Research (CU-ICAR), a public/private partnership with Clemson University, BMW and various other manufacturers, is a 250-acre campus located within the city, and encompasses five technology neighborhoods focused on advanced automotive engineering. The companies include BMW IT research center and KOJO/JTEKT Group. Further tax base stability and strength is provided by the presence of Greenville Health System (A1 stable), the city's largest employer (12,000 employed), and one of the state's most comprehensive healthcare providers that continues to expand its scope and reach through acquisitions and affiliations of regional hospitals and medical groups and the system's presence in teaching, academics, and partnerships with regional and statewide health systems.

Wealth levels for the city approximate state averages but are below the national average. The full value per capita is slightly above-average at \$117,159, reflecting the significant corporate presence. Unemployment rate has improved to a low 5% as of August 2015. The city's labor force has increased by 8.4% since 2005. Moody's Analytics notes payroll growth has outpaced the national average. Additionally, the Greenville-Anderson-Mauldin region has entered into a self-sustaining expansion, and expects the population increases, improving education attainment, and an expanding logistics industry will continue to support the above-average job growth.

##### FINANCIAL OPERATIONS AND RESERVES: WELL-MANAGED FISCAL POSITION WITH STRONG BUDGET OVERSIGHT

The city's financial position is expected to remain healthy given its record of strong operating results and conservative management with prudent fiscal policies. The city's formalized policies include maintaining unassigned General Fund balance of 20% of appropriations with anything in excess of the 20% target will be utilized for capital spending or for other one-time expenditures. Over the four years, the city has consistently remained above policy averaging an unassigned fund balance of \$17.5 million (26.8% of expenditures) from fiscal

2011 to 2014. Since fiscal 2012, the city's financial position has strengthened as a result of conservative budget assumptions and improving major revenues. The General Fund balance increased to a strong \$23.8 million (33.7% of revenues) in fiscal 2014, from a lower \$13.5 million (21.6% of revenues) in fiscal 2009. In fiscal 2015, unaudited results demonstrate the city achieving its fifth consecutive surplus increasing General Fund balance to \$26.9 million (37.4% of revenues); unassigned was \$24.3 million (33.2% of expenditures). Positive performance was attributed to conservative spending and stronger revenues.

For fiscal 2016, the city's included a \$2.0 million use of reserves for one-time pay-as-you-go capital spending. Officials project another strong year, and planned for a \$3.5 million surplus. Year-to-date revenue and expenditure trends are positive. The city's major revenues are derived primarily from stable property taxes (42.7% of fiscal 2014 revenues) and economically sensitive licenses and permits (44.3%). Despite such high dependence on a volatile revenue stream, the city has demonstrated their ability to maintain strong operating margins given its strong budgetary oversight. The major expenditures are public safety and general government, which comprised 44.5% and 25.9% of fiscal 2014 expenditures, respectively.

#### Liquidity

The city benefits from a highly liquid General Fund balance that is expected to remain strong. In fiscal 2014, cash increased to \$23.9 million (34% of revenues) from a lower of \$13.6 million (21.7% of revenues) in fiscal 2009. Unaudited fiscal 2015 cash position strengthened to \$27.7 million (36.3%).

#### DEBT AND PENSIONS: AVERAGE DEBT BURDEN WITH MINIMAL FUTURE DEBT PLANS

The city's debt burden (0.8% of full value in fiscal 2015) is expected to remain average given ongoing growth in the tax base and rapid amortization of principal. Post offering, direct debt burden is expected to increase to 0.9% of full value. Future debt plans are modest, and include a general obligation debt issuance in fiscal 2016 (\$3.9 million) and 2017 (\$6.2 million) for construction of a new fire station and relocation of the city's public work department.

#### Debt Structure

As of fiscal 2015 (unaudited), the city had \$8.3 million of general obligation debt outstanding with a rapid principal payout of 98.2% within 10 years. The city's debt is all fixed rate and amortized over the long-term.

#### Debt-Related Derivatives

The city is not party to derivative agreements.

#### Pensions and OPEB

We expect the city's pension costs to remain manageable. The city participates in the South Carolina Retirement Systems, for police and general employees, two multi-employer, defined benefit retirement plans sponsored by the State of South Carolina (Aaa stable). The city's combined annual required contribution (ARC) for the plans was \$3.8 million in fiscal 2014, or a modest 5.6% of operating expenditures. The city's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$131.4 million, or approximately an above average 1.48 times General Fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the city's reported liability information, but to improve comparability with other rated entities. We determined the city's share of liability for the state-run plans in proportion to its contributions to the plans.

Additionally, the city continues to fully fund the annual required actuarial contribution (ARC) on its other postemployment benefits (OPEB). The city's plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust. Since 2009, through various changes to the benefit program, management has reduced the total liability to \$10.9 million in 2013 from \$59.85 million. As of the last measurement date, July 1, 2013, the city had a funding ratio of 4.31%. While the city plans to continue making its full ARC payment it does not plan to address the unfunded liability at this time. Total fixed costs (debt service, pension payments and OPEB payments) sum to a manageable \$13.7 million or 18.8% of expenditures.

#### MANAGEMENT AND GOVERNANCE

The City of Greenville has a long history of strong management with prudent practices, which includes formalized policies, multi-year forecasting, and well-developed debt plans. South Carolina cities have an institutional framework score of "Aa," or strong. Property tax revenues, generally the largest source of income, are capped by Act 388, which sets a maximum on the operating millage growth annually. However, expenditures are predictable

and have been cut in response to revenue declines, providing ample financial flexibility. Economically sensitive revenues did see a decline during the recession but have rebounded and have in many cases eclipsed pre-recession levels. Additionally, as a right to work state, South Carolina counties have strong expenditure-cutting flexibility.

#### KEY STATISTICS

FY 2015 Full Valuation: \$7.2 billion

Full Value Per Capita: \$117,159

Median Family Income as % of US: 91.4%

2014 Operating Fund Balance as % of Revenue: 31.90%

5-Year Dollar Change in Fund Balance as % of Revenue: +13.46%

2014 Operating Cash Balance as % of Revenue: 36.36%

5-Year Dollar Change in Cash Balance as % of Revenue: +17.06%

Institutional Framework: "Aa"

5-Year Average Operating Revenues/Operating Expenditures: 1.02 times

Net Direct Debt as % of Full Value: 0.90%

Net Direct Debt as % of Revenues: 0.85 times

3-Year Average ANPL as % of Full Value: 1.57%

3-Year Average ANPL / Operating Revenues: 1.48 times

#### OBLIGOR PROFILE

The City of Greenville as the economic center for the upstate South Carolina region, supported by expanding advanced manufacturing, higher education and research and development sectors. Within the city, the population is 61,397; however, inclusive of the Greenville MSA, the population is 824,112 residents, which are attracted to the city's dynamic downtown business district. This area is also one of the most popular dining and entertainment destinations for the area, with more than 90 restaurants and pubs located around the city's Main Street.

#### LEGAL SECURITY

The GO bonds are secured by the city's unlimited ad valorem tax pledge.

The IPRBs are secured by the city's pledge to annually budget and appropriate fund pursuant to a Base Lease Agreement with the corporation. City plans to pay debt service from all available revenues including available parking, hospitality and accommodation tax revenues after payment of the city's outstanding parking revenue bonds and hospitality tax bonds. The bonds are further secured by a long-term leasehold interest in two of the city's parking facilities, of which a portion of proceeds from these bonds will fund construction of two of the pledge facilities, providing additional bondholder protection as, were officials to fail to appropriate, they would lose access to the portion of the facilities retained by the corporation. We believe the use of proceeds and parking facilities are less essential services; however, given the city's strong commitment and stated mission, the facilities are an important component to city services therefore somewhat mitigating an event of non-appropriation.

The assets will be gradually released from the leasehold interest of the issuer as the city makes payments under the Facilities Purchase and Occupancy Agreement. In the event of non-appropriation or default, the trustee or its appointed consultant would allocate the percentage of undivided interests in the title to these facilities between those conveyed to the city and those retained by the corporation. There is no construction risk, as the city is required to provide payment under the agreement whether the facilities are completed or not. Installment payments are due to the trustee (U.S. Bank, National Association, Aa1 stable) fifteen days prior to debt service payment dates, allowing a satisfactory window for the timely payment to bondholders.

#### USE OF PROCEEDS

Proceeds from IPRBs Series 2015 will be used to construct a new parking facility (\$10.2 million) and refund the city's outstanding IPRBs, Series 2013 extending maturity to 2035 for level debt service including the new bonds.

#### PRINCIPAL METHODOLOGY

The principal methodology used in rating the General Obligation debt was US Local Government General Obligation Debt published in January 2014. The principal methodology used in rating the lease backed debt was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

#### REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for additional regulatory disclosures for each credit rating.

#### **Analysts**

Edna Marinelarena  
Lead Analyst  
Public Finance Group  
Moody's Investors Service

Julie Beglin  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

Edward Damutz  
Additional Contact  
Public Finance Group  
Moody's Investors Service

#### **Contacts**

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
USA

# MOODY'S

## INVESTORS SERVICE

© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the

control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.