

RatingsDirect®

Summary:

Palm Beach County, Florida; Miscellaneous Tax

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Credit Profile

US\$50.675 mil pub imp rev bnds ser 2023C dtd 05/31/2023 due 05/01/2043

Long Term Rating

AAA/Stable

New

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Palm Beach County, Fla.'s \$50.675 million public improvement revenue bonds, series 2023C.
- The outlook is stable.

Security

Palm Beach County's covenant to budget and appropriate from legally available non-ad valorem revenues secures the series 2023C bonds. We consider non-ad valorem pledges as general operating pledges and believe these pledges are inseparable from operations and therefore the ratings on the non-ad valorem secured bonds are equivalent to the county general creditworthiness rating. Officials plan to use series 2023C GO bond proceeds for generators and hardening at certain critical county facilities, expansion of the County's Medical Examiner's Office, and redevelopment of Mosquito Control Facilities.

Credit overview

Palm Beach County's economic base is relatively diverse and realized solid growth in jobs and taxable value in the past two years. Tourism activity has experienced a robust recovery since the COVID-19 pandemic, with tourist development taxes up 44% in 2022 compared with 2019. In addition, the county's bioscience cluster continues to thrive, with recent growth primarily in research and development. In the financial services sector, Palm Beach County realized 33 corporate relocations and expansions that generated an estimated 2,502 jobs and \$363 million capital investment. Overall building permit activity has cooled in 2022 compared with 2021 (a peak year) but is still trending stronger than pre-pandemic figures. As a result, we anticipate assessed value will increase at a rate closer to the county's annual average of 6% per year.

The county has been able to maintain and increase available reserves with consecutive general fund surpluses since 2015. Palm Beach County received \$290.1 million in American Rescue Plan Act funds, which it used as revenue loss replacement in fiscal years 2021 and 2022. For fiscal 2023, the county is projecting a \$3 million operating surplus due to positive variances in revenue, which has outpaced rising expenditures. Overall operating revenues have increased at a strong pace and enough flexibility remains in the budget that we believe the county can maintain balanced operations without one-time federal stimulus funds.

Palm Beach County's pension and other postemployment benefits (OPEB) fixed costs remain manageable despite an increase in fiscal 2022 liabilities due to weak returns and market performance. The county made its full actuarially

determined pension contribution payments during the most recent fiscal year and met static funding progress but not minimum funding progress.

During 2024, Palm Beach County plans to issue \$80 million for the south county administrative complex. The county also plans to issue approximately \$200 million in general obligation bonds for workforce affordable housing. Although Palm Beach County has approximately \$43.4 million in direct placement debt, we understand that there are no put features or exposure to acceleration risk on these instruments. Overall, we do not anticipate any deterioration in the county's very strong liquidity position in the near term.

The rating reflects our opinion of Palm Beach County's:

- Very strong incomes and market value per capita;
- Strong financial policies and practices under our Financial Management Assessment methodology, coupled with a strong institutional framework score;
- Maintenance of very strong reserves and positive variance in budget-to-actual performance; and
- Low overall net debt profile with additional debt plans ahead, coupled with manageable pension and OPEB liabilities.

Environmental, social, and governance

Environmental risks are elevated for Palm Beach County, given its location along Florida's southeastern coast, which makes it more susceptible to weather events and the effects of climate change. The county has an office of resilience department that is currently developing a climate change vulnerability assessment for unincorporated Palm Beach County and all county-owned assets within other municipalities. The county's governance and social risks are credit neutral and in line with the sector standard. Palm Beach County passed a referendum in November 2022 to issue bonds for affordable housing given the spike in housing demand and median home prices in recent years.

Outlook

The rating incorporates our forward-looking view that Palm Beach County will maintain a stable credit profile given the county's robust economic growth, strong management conditions, and very strong financial profile. We do not expect to change the rating within the two-year outlook horizon.

Downside scenario

Although we view it unlikely, a sustained deterioration in Palm Beach County's financial position, or a substantial increase in the county's debt and contingent liability profile, could lead to a downgrade.

Credit Opinion

Rating above the sovereign

We rate Palm Beach County higher than the sovereign because we think it can maintain better credit characteristics than the nation in a stress scenario due to its predominantly locally derived revenue base and our view that pledged

revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In addition, in 2022, local tax revenue generated 60% of general fund revenue, demonstrating a lack of dependence on central government revenue.

Palm Beach County, Florida--key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	116			
Market value per capita (\$)		267,464	204,172	191,324
Population (no.)			1,511,930	1,508,665
County unemployment rate(%)			4.3	
Market value (\$000)		404,387,505	308,694,068	288,643,620
Ten largest taxpayers % of taxable value	0.1			
Strong budgetary performance				
Operating fund result % of expenditures		4.3	5.2	1.7
Total governmental fund result % of expenditures		19.7	8.1	7.0
Very strong budgetary flexibility				
Available reserves % of operating expenditures		26.1	23.6	19.8
Total available reserves (\$000)		397,929	335,856	270,334
Very strong liquidity				
Total government cash % of governmental fund expenditures		91	78	78
Total government cash % of governmental fund debt service		2,405	2,267	1,778
Very strong management				
Financial Management Assessment	Strong	Strong	Strong	Strong
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures	3.8	3.8	3.4	4.4
Net direct debt % of governmental fund revenue	27	21	25	28
Overall net debt % of market value	0.7	0.6	0.8	0.9
Direct debt 10-year amortization (%)	60	67	67	65
Required pension contribution % of governmental fund expenditures		7.5	13.8	6.1
OPEB actual contribution % of governmental fund expenditures		0.3	0.2	0.6
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2022 Update Of Institutional Framework For U.S. Local Governments

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