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Summary:

Bamberg County, South Carolina Bamberg Facilities Corp.; Appropriations; General Obligation

Primary Credit Analyst:
Lauren Freire, New York + 1 (212) 438 7854; lauren.freire@spglobal.com

Secondary Contact:
Kaiti Vartholomaios, New York + 1(212) 438 0866; kaiti.vartholomaios@spglobal.com

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Credit Profile		
US$9.085 mil installment purchase rfdg and imp rev bnds (Bamberg Cnty) ser 2021A due 09/01/2051		
Long Term Rating	A-/Stable	New
US$7.89 mil installment purchase rfdg and imp rev bnds (Bamberg Cnty) ser 2021B due 09/01/2051		
Long Term Rating	A-/Stable	New
Bamberg Cnty GO (AGM)		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'A-' long-term rating and stable outlook to Bamberg County, S.C.'s roughly $9.085 million series 2021A and roughly $7.89 million series 2021B installment-purchase refunding and improvement revenue bonds (IPRBs), issued for Bamberg Facilities Corp. and supported by the county, and affirmed its 'A-' underlying rating (SPUR), with a stable outlook, on the county's existing IPRBs, refunded in it its entirety by the series 2021A IPRBs.

S&P Global Ratings also affirmed its 'A' issuer credit rating (ICR), with a stable outlook, on the county.

Installment-purchase payments, or acquisition payments, from Bamberg County to cover annual bond debt service, subject to annual appropriation by the county, secure the IPRBs. The IPRBs are an obligation made by Bamberg County Facilities Corp., payable from semiannual installments of the county as dictated under a trust agreement. Although the county might derive amounts paid from any available source to make installments, it ultimately expects to use:

- Annual general obligation (GO) bonds, issued by the county under its constitutional 8% debt limit;
- Fees in lieu of ad valorem tax payments (FILOTs) from various industrial taxpayers that sunset in 2032; and
- Capital project sales tax (CPST) of one cent, authorized by the electorate to fund capital projects, which has sunset.

Pursuant to the trust agreement, the trustee holds any FILOTs or CPST revenue received from the county to repay the bonds. A debt-service-reserve fund, equal to maximum annual debt service and expected to be satisfied with a surety bond, provides additional bond security.

In addition, the county has agreed to provide necessary insurance, taxes, and facility maintenance. Debt-service payments for each year starting March 1, 2022, eight months after the start of the fiscal year, somewhat mitigate late-budget-adoption risk. We rate IPRBs one notch below the county's GO debt based on appropriation risk and the application of our criteria, titled "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," published Nov. 20, 2019, on RatingsDirect.

Officials intend to use series 2021A bond proceeds to refund (includes a maturity extension) IPRBs outstanding. Officials also intend to use series 2021B bond proceeds as new-money debt for a county capital project while paying off the county's series 2008 hospital bonds.

Credit overview

While one of the intended payment sources has already sunset and the other will sunset prior to final maturities of the series 2021A and 2021B bonds, the trustee holds approximately $4 million of CPST and FILOT revenue in escrow, which it must use to offset installment payments. This additional revenue, in our view, provides further operational flexibility for the county. The combined structure of the 2021B bonds and 2021A refunding bonds, including the extension of maturities, has been done to smooth out additional debt-service-millage increases and lessen the long-term burden on taxpayers.

The rating reflects our view of consistently balanced financial operations that have led to the continued maintenance of, what we consider, very strong reserves. While limited, the county's economy experienced modestly improved activity and property value due to continued economic development. The stable outlook reflects S&P Global Ratings' view management will likely continue to budget conservatively and maintain very strong available reserves through positive operations during the two-year outlook.

The ICR reflects our view of the county's:

- Rural economy with a decreasing population--However, recent economic activity could reverse some of these trends;
- Standard financial-management practices with a strong Institutional Framework;
- Stable budgetary performance with very strong reserves and liquidity after adjustments; and
- High debt with growing pension costs.

Environmental, social, and governance

We have analyzed environmental and governance risks relative to the county's economy, budgetary outcomes, management, and debt-and-long-term-liability profile and view them as consistent with the sector standard. We view social risks, as elevated, because the county faces a decreasing population and historically high unemployment, which could challenge revenue-raising flexibility.

Stable Outlook

Upside scenario

We could take a positive rating action if wealth and income metrics were to improve significantly.

Downside scenario

We could take a negative rating action if the county were to face significant liquidity pressure or increased fixed-cost pressure.

Credit Opinion

New manufacturers and additional employment work to offset lost population, higher unemployment

The roughly 393-square-mile Bamberg County is in south-central South Carolina, approximately 61 miles south of Columbia and 70 miles northwest of Charleston. Manufacturing is the county's primary employment sector. While we note the county has experienced employer closures, new companies have replaced the closed companies, typically within a year. This level of development supports overall unemployment improvement to 9% in 2021 from a high 16.3% in 2011. Prior to COVID-19's effect on the county, unemployment was 5.3%. Officials expect additional economic development, which should help unemployment, including:

- Arnett Engineered Solutions,
- South Carolina Oak Barrel,
- Pegasus Home Fashion, and
- Piggly Wiggly.

We note these companies will also invest additional money in the local economy. The county is acquiring property adjacent to a railyard with a rail connection to neighboring counties. Officials expect this property could be the site for a transformational economic development that could provide significant economic improvement. The increase in employment opportunities could slow the 9.7% population loss the county has experienced during the past seven years. Population loss weakens our assessment of the local economy. We expect the county's local economy will continue to improve; over time we could change our view of the county's local economy.

Standard financial management with a focus on equipment-replacement schedules

Conservative revenue and expenditure assumptions based on five years' historical analysis support the county. The county takes a ground-up approach to budgeting, annually reviewing line-items with department heads. Management provides county councilmembers with monthly budget-to-actual reports and comparisons to the same point in the prior year. It could amend the budget, as needed, throughout the year. There are no formal long-range financial projections, and management budgets capital improvements annually with consideration to longer-term departmental requests during a five-year period. We note the county maintains robust capital-equipment-replacement schedules. The county follows state-investment guidelines with interest earnings reviewed monthly and an annual review of holdings.

The county does not have a formal debt-management policy. Management adopts the reserve policy as part of its annual budget ordinance and maintains an unencumbered general fund balance equal to 90 days' general fund expenditures for the current budget, which the county is well above.

Stable budgetary performance with positive-to-balanced operations for fiscal 2021, keeping reserves very strong while maintaining consistent liquidity

While the county has not completed its fiscal 2021 audit, early indicators point to positive results because overall revenue recovered and expenses remained underbudget. The fiscal 2021, $26.8 million budget is a slight increase from fiscal 2020. As part of the budget, the county expected decreased first-quarter sales, gas, and other economically sensitive revenue collections in fiscal 2021 with modest rebounds during the next few fiscal years. The county held the line on expenses, with the exception of certain personnel costs, such as health insurance. The county received roughly $155,000 in CARES funding in 2021. Delinquent sales taxes were an unexpected revenue source; while sales taxes usually provide roughly $350,000 in revenue, with increased interest, it generated a largely unbudgeted roughly $1.2 million.

The fiscal 2022 budget across all funds is $27.5 million, a slight increase compared with fiscal 2021. General fund expenses are increasing with the county adding two new positions; meanwhile, management absorbs increased health-care costs and provides a cost-of-living adjustment to employees. We note that, while overall health-care costs increased, the county's load factor slightly decreased with several longstanding employees retiring in 2021. As part of the American Rescue Plan Act of 2021, the county was allocated $2.7 million: It received $1.3 million in May 2021; management has allocated and used a portion of this money for revenue replacement during the past few months. Officials are currently discussing how to best use the remaining money.

Fiscal 2020 results were balanced prior to the general funds transfer out. Overall revenue was in-line with budgeted levels with property and sales taxes outpacing the budget. Conservative budgeting, once again, had expenses underbudget. With the onset of COVID-19, however, the county did not make any significant operational changes, other than ensuring buildings complied with social-distancing requirements. Property taxes generate 78.1% of general fund revenue, followed by intergovernmental revenue at 14.1%. We expect management will likely continue to budget conservatively while producing strong fiscal year-end results as the economy recovers from COVID-19 and the county continues to see local economic investment.

Reserves remain very strong, in our opinion, well above the policy target. The county expects to add to reserves in fiscal 2021, further bolstering finances. After adjusting for available restricted cash and removing elevated debt service, liquidity remains strong, in our view. Officials have been working to improve liquidity; with positive operations expected in fiscal 2021, we imagine this trend will likely continue. However, if something were to happen to overall liquidity and cash were to weaken compared with debt service, we could lower the rating by multiple notches.

We posit debt issuance within the past 15 years--including GO bonds, short-term debt, and installment-purchase-revenue bonds--supports the county's strong access to external liquidity. We think the county does not currently have aggressive investments with the majority in certificates of deposit. We note all obligations outstanding are privately placed bonds. We reviewed the documents and found no liquidity risk from covenants or bond provisions.

Elevated debt due to overlapping debt with manageable pension and other postemployment benefit (OPEB) fixed costs

Officials do not currently expect to issue significant debt during the next few years, outside of GO debt to support IPRBs or smaller debt issuances. The approximately $4 million in FILOT and CPST revenue held by the trustee in escrow will offset debt-service costs because the county will not need to issue the same level of GO debt. We expect debt will likely remain elevated, but the county has demonstrated an ability to maintain balanced operations while including increases in overall expenditures.

Pension and OPEB highlights

We do not view pension and OPEB liabilities as an immediate credit pressure for the county despite lower funding and our expectation costs will likely increase. Because the county's actuarially determined pension contribution reflects, what we view as, weak assumptions and methodologies, we think it increases unexpected contribution-escalation risk. However, we expect higher contributions will likely remain affordable due to revenue strength.

The county has very limited exposure to postemployment costs because it is not currently contributing to retiree health-insurance premiums and it does not plan to do so for the foreseeable future.

As of June 30, 2020, the county participates in:

- South Carolina Retirement System, which was 54.4% funded, with a net pension liability of $3.7 million;
- South Carolina Police Officers' Retirement System, which was 62.7% funded, with a net pension liability of $2.1 million; and
- Bamberg County's single-employer, defined-benefit OPEB plan, which was 0% funded, with an OPEB liability of about $226,954, as of June 30, 2021.

Although the county funds 100% of its actuarially determined contribution, contributions fell short of static- and minimum-funding progress. The plans' amortization methods, especially the level 3% of payroll amortization, defer costs, resulting in slow-funding progress. However, reforms enacted in 2017 sought to address weak funding, including lowering the discount and closing the amortization period; we view both as mitigating contribution-escalation risk. While we think the 7.25% long-term assumed rate of return might still be high, we calculated increased contribution rates using a more-conservative 4% return assumption during the first five years with an assumed 7% return assumption thereafter; we posit this could help stabilize funding despite recent market volatility.

While these reforms will likely improve funding, they will contribute to increasing plan-participant costs. While we do not expect any medium-term pressure, we will continue to monitor state-administered pension plans to ensure recent legislation increases the plans' funding and does not create fiscal pressure. (For more information on pension reform, see our commentary, titled "Pension Spotlight: South Carolina," published June 15, 2020.)

Strong Institutional Framework

The Institutional Framework score for South Carolina municipalities is strong.

Bamberg County, South Carolina Select Key Credit Metrics

	Most recent	--Historical information--		
		2020	2019	2018
Very weak economy				
Projected per capita effective buying income as a % of U.S.	62.8			
Market value per capita ($)		38,855		
Population		13,996	14,050	14,007
County unemployment rate(%)		9.0		

Bamberg County, South Carolina Select Key Credit Metrics (cont.)				
	Most recent	**--Historical information--**		
		2020	**2019**	**2018**
Market value ($000)		543,820	--	--
10 leading taxpayers as a % of taxable value	25.2			
Strong budgetary performance				
Operating fund result as a % of expenditures		0.4	5.6	(5.8)
Total governmental fund result as a % of expenditures		0.2	11.1	(1.6)
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		35.3	37.1	27.6
Total available reserves ($000)		2,677	2,704	2,070
Very strong liquidity				
Total government cash as a % of governmental fund expenditures		15.1	16.7	10.9
Total government cash as a % of governmental fund debt service		116.7	110.2	74.5
Adequate management				
Financial Management Assessment	Standard			
Very weak debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		13.0	15.2	14.6
Net direct debt as a % of governmental fund revenue	106.6			
Overall net debt as a % of market value	14.1			
Direct debt 10-year amortization (%)	61.8			
Required pension contribution as a % of governmental fund expenditures		3.7		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		0		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2020 Update Of Institutional Framework For U.S. Local Governments
- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of November 18, 2021)		
Bamberg Cnty GO (AGM)		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed

Ratings Detail (As Of November 18, 2021) (cont.)		
Bamberg Cnty ICR		
Long Term Rating	A/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.