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Summary: Hoover, AL; General Obligation, Local GO

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Table Of Contents

Rationale

Outlook

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Credit Profile	
\$25.5 mil muni debt muni issue ser 1999B due 2015 Sale date: 09-DEC-1999	AA-
AFFIRMED	
\$86.328 mil. Hoover	AA-
OUTLOOK:	STABLE

Rationale

The rating on Hoover, Ala.'s GO bonds is based on the full faith and credit of the city. The rating reflects:

- The city's location in the Birmingham, Ala. MSA;
- Solid economic and tax base growth; and
- Good financial performance.

These strengths are partially offset by on-going growth pressures and high overall debt.

Hoover is a rapidly growing community outside of Birmingham, hosting a mix of employers in services, utilities, retail, finance, construction, and insurance. Subsequently, unemployment has been historically stable and low. Wealth and income levels are strong with median household effective buying income at 159% of the national average. Hoover remains the retail hub of the state with a strong and growing retail base as evidenced by per capita retail sales at more than 200% of U.S. averages and total sales of more than \$1.3 billion in fiscal 1998. Continued growth is attributed to Riverchase Galleria, the state's largest mall, which serves an estimated 12 million customers annually, as well as other retail centers on U.S. Highways 280 and 31 and State Highway 150. Tax base growth has experienced good growth of more than 30% in the past five years, reaching a market value of more than \$4.3 billion in fiscal 1999.

Financial performance is sound with fiscal 1998 ending with a general fund operating surplus of \$5.2 million despite more than \$11 million in transfers to accommodate operating deficiencies in the city's Library, board of education, and park and recreation component units. The unreserved general fund balance has increased 144% from fiscal 1996 to \$17.9 million or 49% of general fund expenditures at fiscal 1998 year end. Unaudited 1999 results indicate an increase in fund balance of \$4 million. Hoover's revenue stream, however, is highly dependent on sales and use taxes for nearly 65% of its total revenues while business licenses and property taxes account for 9% and 8% of revenues, respectively.

Overall net debt is very high at \$4,022 per capita, although moderate at 5.5% of market value. The city plans to issue additional revenue bonds as part of its ongoing sewer upgrade program and another \$15 million for a municipal complex in the next few years.

Outlook

The outlook reflects the expectation of continued growth in the sales tax base coupled with large general fund balances, which mitigates the risk inherent in its dependence on sales tax revenues.

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