

U.S. Public Finance Rating Actions First-Quarter 2012

Special Report

Rating Actions for First Quarter

Downgrades Outnumbered Upgrades: Fitch Ratings notes that during the first quarter of 2012 and for the 13th consecutive quarter, U.S. public finance rating downgrades outnumbered upgrades. Both the number of upgrades and downgrades decreased from fourth-quarter 2011.

Downgrades: Fitch downgraded 45 credits, which represented approximately 5.0% of all rating actions and \$16.1 billion in par value. In the fourth quarter of 2011, Fitch downgraded 60 credits.

Upgrades: Fitch upgraded 23 credits, which represented 2.8% of all rating actions and \$6.3 billion in par value. In the fourth quarter of 2011, Fitch upgraded 25 credits.

Outlooks: The number of Negative Rating Outlooks, 283, continued to exceed the number of Positive Rating Outlooks, 68, resulting in a 4.2:1 ratio. Contributing to the large number of Negative Rating Outlooks were the 61 credits that are guaranteed by the Florida Housing Finance Corp. Affordable Housing guarantee fund.

Watches: There were 80 Negative Rating Watches in the first quarter versus 23 in the prior quarter. The large number of Negative Rating Watches was due to the 60 securities related to California redevelopment agencies (RDAs) that were placed on Negative Rating Watch in January. There was one Positive Rating Watch in the first quarter of 2012.

Most Rating Actions Were Affirmations: A majority of the rating actions (78%) during the first quarter were affirmations, with no change in Rating Outlook or Rating Watch status. Furthermore, 88% of ratings had a Stable Rating Outlook at the end of the first quarter.

Downgrade to Upgrade Ratio Decreased: The downgrade to upgrade ratio by rating action was 2.0:1, which decreased from 2.4:1 in the prior quarter. The downgrade to upgrade ratio by par value was 2.5:1, decreased from 4.8:1 in the prior quarter.

Related Research

2012 U.S. Public Finance Outlooks,
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Notable Rating Actions

One of the largest downgrades by par amount in the first quarter was South Carolina Public Service Authority's (Santee Cooper) revenue obligation bonds in the amount of approximately \$5.02 billion to 'AA-' from 'AA'. Santee Cooper is one of the nation's largest wholesale systems. Financial ratios have declined in recent years, reflecting slower growth in sales, higher operating costs and expenses associated with the development of new units at the Summer nuclear project.

Another notable downgrade was that of Detroit general obligation bonds and certificates of participation. In March, approximately \$553 million unlimited tax general obligation (ULTGO) bonds were downgraded to 'B' from 'BB-'; approximately \$486 million limited tax general obligation (LTGO) bonds were downgraded to 'B-' from 'B+'; and approximately \$1.5 billion pension obligation certificates of participation (COPs) issued through the Detroit Retirement Systems Funding Trust, Michigan were downgraded to 'B' from 'BB-', with all ratings remaining on Rating Watch Negative.

The Detroit downgrades and maintenance of the Rating Watch Negative were based on delays in implementation of actions at the city and state level that might avert a fiscal crisis for the city. Adding to the fiscal crisis, housing, wealth, and employment-related factors are chronically poor with limited expectation for improvement and the overall debt burden is exceptionally high.

The largest upgrades in the first quarter by par amount were concentrated in the revenue-supported sectors. Upgrades tended to be for reasons unique to the credits, rather than broad economic factors. One such upgrade was Piedmont Municipal Power Agency's (PMPA) electric revenue bonds in the amount of \$1.07 billion, which were upgraded to 'A-' from 'BBB+'. The upgrade reflected improving financial metrics due to a combination of regular rate increases, efficient operation of assets, and a manageable debt service burden.

Upgrades and Downgrades of Fitch-Rated Municipal Issuers

(Number of Credits)

	Upgrades						Downgrades					
	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	Change From Previous Quarter	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	Change From Previous Quarter
Healthcare	6	9	4	2	6	4	3	9	6	8	5	(3)
Higher Education and Nonprofit	1	7	2	1	0	(1)	4	3	2	1	2	1
Housing	0	0	0	0	0	0	0	4	2	1	2	1
Other Revenue	1	2	3	2	0	(2)	0	1	0	0	0	0
Public Power	2	5	6	1	3	2	3	1	5	12	5	(7)
Tax Supported	11	15	18	15	9	(6)	36	53	44	28	27	(1)
Transportation	2	1	0	1	2	1	5	4	5	2	1	(1)
Water and Sewer Revenue	3	4	4	3	3	0	12	9	7	8	3	(5)
Total	26	43	37	25	23	(2)	63	84	71	60	45	(15)

Tax-Supported Debt of Public Enterprises

Last year, Fitch reviewed and clarified its methodology for rating tax-supported bonds with financial operating risk related to a public enterprise. The ratings continue to weigh heavily the value of the tax support for both debt service and operations to credit quality, but now incorporate an opinion of the operating risk of each entity as an input to the ultimate rating, focusing primarily on a review of the quantitative factors and metrics that are part of the standard review for the given revenue bond sector. Credits that fall under this methodology include tax-supported transit authorities and hospital districts (in each of which sector Fitch rates 17 entities), and ports (Fitch rates three). Fitch reviewed its portfolio and in the first quarter took rating actions (upgraded, downgraded, and affirmed) on these credits due to the revised methodology. More information on these rating actions can be found in Fitch's press release "Fitch Takes Various Rating Actions on U.S. Tax-Supported Transit Systems," dated Jan. 19, 2012 and other individual credit releases, available on Fitch's Web site at www.fitchratings.com.

Rating Outlooks and Watches

The number of Negative Rating Outlooks and Negative Watches during the first quarter were largely influenced by two bulk rating actions, the Negative Outlook placed on the 'A-' rating of the Florida Housing guarantee fund (GF) in the third quarter of last year, and the Rating Watch Negative placed on bonds issued by California RDAs in January.

Rating Watch and Rating Outlook

(Number of Credits)

	Positive					Negative							
	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	Change From Previous Quarter	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	Change From Previous Quarter	
Rating Watch													
Healthcare	1	0	0	0	0	0	5	4	1	0	0	0	
Higher Education and Nonprofit	0	0	0	0	0	0	0	0	0	0	1	1	
Housing	0	0	0	0	0	0	6	0	23	12	4	(8)	
Other Revenue	0	0	0	0	0	0	0	1	1	1	1	0	
Public Power	0	0	0	0	0	0	0	0	5	3	2	(1)	
Tax Supported	0	0	0	1	1	0	3	6	5	4	68	64	
Transportation	0	0	0	0	0	0	0	2	2	3	2	(1)	
Water and Sewer Revenue	0	0	0	0	0	0	1	0	0	0	2	2	
Total	1	0	0	1	1	0	15	13	37	23	80	57	
Rating Outlook													
Healthcare	19	16	18	17	15	(2)	18	17	18	21	18	(3)	
Higher Education and Nonprofit	4	4	3	4	5	1	9	13	11	10	10	0	
Housing	1	1	0	1	0	(1)	4	12	59	65	73	8	
Other Revenue	0	0	0		0	0	0	0	0	0	0	0	
Public Power	10	10	7	5	7	2	8	6	2	3	4	1	
Tax Supported	21	28	36	33	31	(2)	126	143	142	148	129	(19)	
Transportation	2	3	4	4	5	1	47	43	38	40	36	(4)	
Water and Sewer Revenue	0	0	2	3	5	2	12	12	14	13	13	0	
Total	57	62	70	67	68	1	224	246	284	300	283	(17)	

Florida Affordable Housing Guarantee Fund

At the end of the first quarter, the 'A-' ratings assigned to 60 multifamily project bonds supported by the Florida Housing Finance Corporation's affordable housing guarantee fund (GF) were on Negative Rating Outlook. Subsequently, on June 8, 2012, Fitch affirmed the 'A-' rating of the GF and revised the Rating Outlook to Stable from Negative. Fitch is currently in the process of reviewing the ratings on the individual multifamily project bonds supported by the GF. Fitch expects to conclude the review and release the ratings within the next several weeks. For more information, please see the press release "Fitch Affirms 48 MF Project Bonds Supported by Florida Hsg Guarantee Fund at 'A-'; Outlook Negative," dated Aug. 4, 2011, available on Fitch's Web site at www.fitchratings.com.

California RDAs

On Jan. 24, 2012, Fitch placed tax allocation bonds (TABs) issued by California RDAs that are secured by tax increment revenue on Rating Watch Negative, affecting 60 ratings. The Rating Watch Negative reflects the uncertainty about the mechanics of administering the revenues, including those pledged to bond repayment. While the intent to uphold existing obligations is clearly stated in the legislation, the mechanics of implementation are not. Fitch has been monitoring legislative and administrative actions and has almost completed a review of all of its TAB ratings. For more information, please see Fitch's report "Update on California Redevelopment Agencies," dated June 8, 2012, available on Fitch's Web site at www.fitchratings.com.

Summary of First-Quarter Outlooks and Watches

- Negative Rating Outlooks: 283 credits (down from 300 in the prior quarter).
- Positive Rating Outlooks: 68 credits (up from 67 in the prior quarter).
- Ratio of Negative Rating Outlooks to Positive Rating Outlooks: 4.2:1 (down from 4.5:1 in the prior quarter).
- Rating Watch Negative: 80 credits (up from 23 in the prior quarter). The spike in the number of credits on Rating Watch Negative is due to the California RDA TABs. Removing the effect of the TABs, only 20 credits were on Rating Watch Negative in the first quarter.
- Rating Watch Positive: One credit was on Rating Watch Positive in the first quarter (the same as the prior quarter).

Rating Changes by Sector

- Tax Supported: 27 downgrades and nine upgrades.
- Education and Nonprofits: Two downgrades and no upgrades.
- Healthcare: Five downgrades and six upgrades.
- Housing: Two downgrades and no upgrades.
- Water and Sewer: Three downgrades and three upgrades.
- Public Power: Five downgrades and three upgrades.
- Transportation: One downgrade and two upgrades.

First-Quarter 2012 Upgrades and Downgrades

Issuer	Security Type	Rating	Rating Action
Tulare Local Health Care District (CA)	General Revenues	BB+	Downgrade
Albert Einstein Healthcare Network (PA)	General Revenues	BBB+	Downgrade
Group Health Cooperative (WA)	General Revenues	BBB	Downgrade
AnMed Health (SC)	General Revenues	A+	Downgrade
Vidant Health (NC)	General Revenues	A+	Downgrade
Sky Lakes Medical Center (OR)	General Revenues	BBB	Upgrade
Appalachian Regional Healthcare, Inc. (KY)	General Revenues	BB	Upgrade
Methodist Hospitals, Inc. (The) (IN)	General Revenues	BBB-	Upgrade
Blanchard Valley Health Association (OH)	General Revenues	A	Upgrade
Cape Cod Healthcare, Inc. and Affiliates (MA)	General Revenues	BBB+	Upgrade
Centracare Health System (MN)	General Revenues	A+	Upgrade
Fulton Science Academy, Inc. (GA)	General Revenues	B	Downgrade
Chester Community Charter School (PA)	General Revenues	BB	Downgrade
Philadelphia Redevelopment Authority (PA)	Capital Fund Program	AA-	Downgrade
Philadelphia Housing Authority (PA)	Housing Revenues	AA-	Downgrade
Virgin Islands Water & Power Authority (VI)	Electric System Revenues – Subordinated	BB-	Downgrade
Virgin Islands Water & Power Authority (VI)	Electric System Revenues	BB	Downgrade
Indiana Bond Bank (IN)	Prepaid Energy Project	A	Downgrade
Chattanooga Electric Power Board	Electric System Revenues	AA	Downgrade
South Carolina Public Service Authority (Santee Cooper) (SC)	Electric System Revenues	AA-	Downgrade
Vermont Electric Cooperative Inc.	Senior Secured Obligation	BBB+	Upgrade
Silicon Valley Power (Santa Clara) (CA)	Electric System Revenues – Subordinated	A+	Upgrade
Piedmont Municipal Power Agency (SC)	Electric System Revenues	A-	Upgrade
Manatee County School Board (FL)	General Obligation – Unlimited Tax (Implied)	A+	Downgrade
St. Ignace (MI)	General Obligation – Unlimited Tax	BBB-	Downgrade
Imperial Community College District (CA)	Lease Obligations – Standard	A-	Downgrade
Yuba City (CA)	Lease Obligations – Standard	A+	Downgrade
Pleasant Hill Recreation & Park District (CA)	General Obligation – Unlimited Tax	A	Downgrade
Martin County Hospital District (TX)	General Obligation – Limited Tax	BBB	Downgrade
New London (CT)	General Obligation – Unlimited Tax	AA-	Downgrade
Tacoma (WA)	General Obligation – Unlimited Tax	AA	Downgrade
Gainesville Hospital District (TX)	General Obligation – Limited Tax	A+	Downgrade
Volusia County (FL)	General Obligation – Limited Tax	A-	Downgrade
Lincoln Park School District (MI)	General Obligation – Unlimited Tax	BBB+	Downgrade
Providence (RI)	General Obligation – Unlimited Tax	BBB	Downgrade
Regional Public Transportation Authority (AZ)	Sales Tax Revenues – Excise Taxes	AA	Downgrade
Woonsocket (RI)	General Obligation – Unlimited Tax	BB-	Downgrade
Orlando (FL)	Tax Increment Revenues	A	Downgrade
Tacoma (WA)	General Obligation – Limited Tax	AA-	Downgrade
Manatee County School Board (FL)	Lease Obligations	A	Downgrade
Marion County Health and Hospital Corporation (IN)	General Obligation – Unlimited Tax	AA+	Downgrade
Bi-State Development Agency of the Missouri-Illinois Metropolitan District (IL)	Proposition M Sales Tax	A-	Downgrade
San Francisco Bay Area Rapid Transit District (CA)	General Obligation – Unlimited Tax	AA+	Downgrade
Marion County Health and Hospital Corporation (IN)	Lease Revenues	AA	Downgrade
Detroit (MI)	General Obligation – Limited Tax	B-	Downgrade
South Florida Water Management District (FL)	Certificates of Participation	AA-	Downgrade
San Francisco Bay Area Rapid Transit District (CA)	Sales Tax Revenues	AA	Downgrade
Jacksonville (FL)	Transportation Sales Tax Revenues	AA-	Downgrade
Jacksonville (FL)	Infrastructure 1/2 Cent Sales Tax	A+	Downgrade
Detroit (MI)	General Obligation – Unlimited Tax	B	Downgrade
Dallas Area Rapid Transit (TX)	Sales Tax Revenues – Subordinated	AA	Upgrade
Hodgkins (IL)	Tax Increment Revenues	A	Upgrade
Eagle Pass (TX)	General Obligation – Limited Tax	A+	Upgrade
Fowler Unified School District (CA)	General Obligation – Unlimited Tax	AA	Upgrade
Unified Government of Wyandotte County/Kansas City (KS)	Tax Increment Revenues – Senior Lien	AA-	Upgrade

First Quarter 2012 Upgrades and Downgrades (continued)

Issuer	Security Type	Rating	Rating Action
Lubbock-Cooper Independent School District (TX)	General Obligation – Unlimited Tax	AA	Upgrade
Orange County Local Transportation Authority (CA)	Sales Tax Revenues	AA+	Upgrade
Dallas Area Rapid Transit (TX)	Sales Tax Revenues	AA	Upgrade
Regional Transportation Authority (IL)	General Obligation	AA	Upgrade
Hillsborough County Aviation Authority (FL)	Airport Revenues	A+	Downgrade
Tucson Airport Authority, Inc. (AZ)	Airport Revenues	A+	Upgrade
Northern Mariana Islands, Commonwealth of (MP)	Airport Revenues	B–	Upgrade
Stockton (CA)	Water Revenues (2nd Lien)	BBB–	Downgrade
Otay Water District (CA)	Water Revenues	AA–	Downgrade
Stockton (CA)	Water Revenues	BBB–	Downgrade
Anaheim (CA)	Sewer Revenues	AA+	Upgrade
Centennial Water and Sanitation District (CO)	Water & Sewer Revenues	AA+	Upgrade
Marco Island (FL)	Water & Sewer Revenues	AA–	Upgrade

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