FitchRatings

Public Finance
Tax-Supported
U.S.A.

Palm Beach County, Florida

Ratings

Long-Term Issuer Default Rating	AAA

New Issue

$50,675,000 Public Improvement Revenue Bonds, Series 2023C	AA+

Outstanding Debt

General Obligation Bonds	AAA
Public Improvement Revenue Bonds	AA+

Rating Outlook

Stable

Applicable Criteria

U.S. Public Finance Tax-Supported Rating Criteria (May 2021)

Related Research

Fitch Rates Palm Beach County, FL $51MM Ser 2023C Public Improvement Revs 'AA+'; Outlook Stable (April 2023)

Fitch Rates Palm Beach County, FL $123MM Ser 2023A&B Pub Imp Revenue Bonds 'AA+'; Outlook Stable (March 2023)

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New Issue Summary

Sale Date: The bonds are scheduled to sell competitively on May 10, 2023.

Series: $50,675,000 Public Improvement Revenue Bonds, Series 2023C

Purpose: Proceeds will be utilized for various county capital improvements, including expansion of the county medical examiner's office and redevelopment of the county's mosquito control facilities.

Security: The non-ad valorem (NAV) revenue bonds are special obligations of Palm Beach County (the county), payable from its covenant to budget and appropriate (CB&A), by amendment if necessary, NAV revenues. The availability of NAV revenues to pay debt service is subject to the funding of essential government services and obligations with a specific lien on NAV revenues. Such a covenant shall be cumulative to the extent not paid and shall continue until all required amounts payable under the indenture have been paid.

The 'AA+' rating on the NAV-backed bonds is one notch below the county's 'AAA' Long-Term Issuer Default Rating (IDR); which reflects the statutory priority to the payment of essential governmental services over debt service, the absence of a specific pledge on revenue and the absence of a mechanism to compel the county to generate NAV revenues sufficient to pay debt service. For additional detail on the IDR, see the rating action commentary, "Fitch Rates Palm Beach County, FL $123MM Ser 2023A&B Pub Imp Revenue Bonds 'AA+'; Outlook Stable," dated March 31, 2023.

Economic Resource Base: The county is the largest in the state based on area, located along the southeast coast of Florida. It encompasses about 2,000 square miles with a 2021 estimated population of about 1.5 million, up 14% since 2010. The county contains 39 municipalities, including the cities of West Palm Beach and Boca Raton.

Key Rating Drivers

Revenue Framework: 'aaa': Revenue growth is projected to be robust given the expectation of continued population growth and strong economic activity. The county has considerable revenue-raising ability, with the current property tax rate well under the statutory 10 mill property rate tax cap.

Expenditure Framework: 'aa': Absent policy action, Fitch Ratings expects expenditure growth to be marginally above revenue trends given the broad range of services provided and demands associated with an expanding population. Fixed carrying costs associated with debt and pension liabilities are moderate at 11% of total governmental spending. The county has solid legal control over employee-related costs.

Long-Term Liability Burden: 'aaa': Overall county debt and Fitch-adjusted net pension liabilities (NPLs) are low at 3% of personal income, including this issuance, and are expected to remain fairly stable given modest additional debt planned, manageable pension liabilities and expectations for continued resource base growth.

Operating Performance: 'aaa': Fitch expects the county to continue to maintain a high fundamental level of financial flexibility through economic downturns given its strong revenue-raising ability, solid expenditure flexibility and very sound reserve levels.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Not applicable given the 'AAA' IDR.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- An increase in fixed-cost spending associated with debt service and retiree benefits to a level sustained above 20% of total governmental expenditures leading to what Fitch believes is a weakening of expenditure flexibility.
- A material erosion in gap-closing capacity due to sustained fund balance declines.

Current Developments

Similar to other counties in South Florida, Palm Beach County continues to benefit from a surge in economic activity, tourism and new construction. The strong economic performance reflects underlying population growth as well as the economic benefits of federal stimulus funding, which bolstered the spending of the county's residents and visitors.

Audited general fund net operating results for fiscal 2022 (ended Sept. 30) indicate an addition to fund balance of $65 million, which grew unrestricted reserve levels to $398 million (23% of spending). Surplus results reflected revenue collections above budget, driven by strong sales tax growth, with more modest favorable variances across most other major revenue items. Surplus results were also supported by favorable expenditure variances, primarily related to vacancy savings across departments.

Fiscal 2022 general fund revenues were up by $335 million, or 23% yoy, to $1.82 billion due in part to receipt of its remaining $244 million in American Rescue Plan Act (ARPA) funds, which were classified as revenue replacement funding. ARPA funds were allocated to a range of one-time spending initiatives that included improvements relating to broadband, housing and environmental resiliency projects.

The fiscal 2023 adopted budget is up about 13% from the fiscal 2022 adopted budget. Given continued growth in taxable assessed values (TAV), the budget included a 1% reduction in the county general fund tax rate. The budget also added 96 positions (for a total budgeted count of 6,960) to meet service demands associated with its population growth.

In addition, county commissioners authorized a 6% pay increase to improve the county's competitiveness in filling vacant positions. While spending growth may accelerate for the county to maintain service levels in a tight labor market for public employees, Fitch expects that spending trends will remain manageable when considered in the context of the county's revenue growth trajectory and financial profile.

Credit Profile

The local economy is broad and well diversified, supported by its traditional underpinnings of agriculture, tourism, government, healthcare and aerospace, and is supplemented by the growing bioscience and higher education sectors. County income levels exceed those of the state but are relatively in line with the national average, while unemployment levels are below the state and nation.

Assessed values have increased sharply over the past decade, benefiting from rising home values and economic development. Fitch expects that future growth will be supported by a solid pipeline of development projects underway.

Revenue Framework

Property taxes are the county's largest revenue source at roughly 60% of fiscal 2022 general fund revenues. Other major revenue sources include the local government one-half cent sales tax and charges for services.

Fitch views the county's revenue growth prospects as strong and expects that general fund revenues will increase at a level in line with at least national GDP due to continued population gains. Countywide TAV for fiscal 2023 were up 15% yoy, and Fitch expects that continued high housing demand will support continued TAV and revenue growth in the future but at less robust levels.

The county's fiscal 2023 countywide and library tax rate totaled 5.2641 mills, well below the 10-mill statutory limit, providing ample legal revenue-raising authority. Annual changes in the property tax rate are determined using a rollback or revenue-neutral rate, which is then adjusted for changes in Florida's per capita personal income. However, this limitation may be

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	3/31/23
AAA	Affirmed	Stable	4/30/10
AAA	Affirmed	Negative	7/30/08
AAA	Affirmed	Stable	10/11/04
AAA	Upgraded	—	5/23/00
AA+	Upgraded	—	9/28/99
AA	Assigned	—	1/27/98

overridden by vote of the county governing body. The county also has the ability to increase various license and permit fees and service charges that make up a smaller but still notable portion of its revenue base.

Expenditure Framework

The county provides a broad range of government services. Public safety is the largest spending item, followed by general government.

Fitch expects spending demands to grow at a pace marginally above revenues, reflecting continued growth in public safety, the largest spending item, due to increases in compensation and higher pension and health insurance costs.

Carrying costs for debt service and retiree benefits were moderate at 11% of total fiscal 2022 governmental spending. Pension contributions are the largest component of the county's fixed costs at about 7% of governmental spending; debt service, which is typically more predictable and controllable than pension or retiree health benefits, accounts for the bulk of the remaining burden. The current and planned debt issuances will lead to a moderate increase in fixed carrying costs but are unlikely to pressure the fixed carrying cost metric or materially affect the county's budget flexibility.

The county retains solid expenditure flexibility, due partly to its ability to manage labor costs including the ability to impose changes in workforce rules, wages or benefits as needed following the conclusion of a nonbinding mediation process.

Long-Term Liability Burden

The county's long-term liability burden associated with overall debt and Fitch-adjusted NPLs is approximately 3% of personal income and is expected to remain low given expectations that growth in debt and pension liabilities will be offset by continued growth in population and income levels. The liability burden largely comprises overlapping debt of the Palm Beach County School Board, which is not expected to grow to a point that would pressure the metric.

The county participates in three pension plans, although most employees are members of the state-administered Florida Retirement System. Overall pension costs are manageable, with an aggregate pension asset-to-liability ratio of 83%, or 77% using Fitch's standard 6% investment rate of return assumption. The Fitch adjusted NPL was equal to $1.3 billion in fiscal 2022, equal to less than 2% of personal income.

Operating Performance

Fitch expects the county to manage through future economic downturns while maintaining a high level of fundamental financial flexibility given the county's ample control over revenues and solid expenditure flexibility. The county manages reserve levels to a minimum 15% to 20% of general fund expenditures and transfers out, which has supported the county's financial resilience.

During prior downturns the county raised tax rates, reduced capital spending and adjusted employee headcount. Fitch expects that the county will utilize similar measures in future downturns to mitigate a decline in revenues.

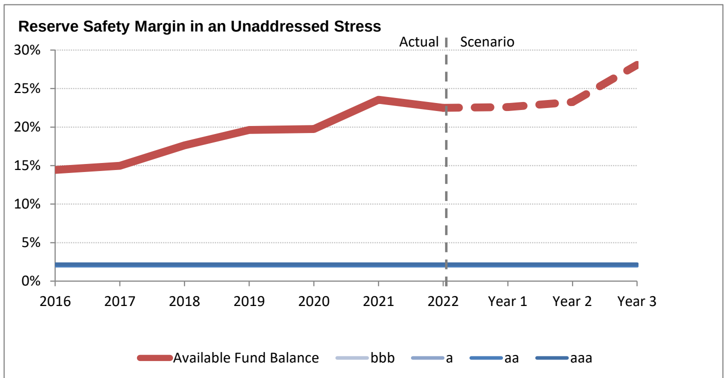
ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Palm Beach County (FL)

Scenario Analysis

Ver 48



Analyst Interpretation of Scenario Results

Fitch expects the county to manage through future economic downturns while maintaining a high level of fundamental financial flexibility, given the county's ample control over revenues and solid expenditure flexibility. The county manages reserve levels to a minimum 15% to 20% of general fund expenditures and transfers out, which has supported the county's financial resilience.

Scenario Parameters:					Year 1	Year 2	Year 3
GDP Assumption (% Change)					(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)					2.0%	2.0%	2.0%
Revenue Output (% Change)	*Min Y1 Stress:*	**-1%**	*Case Used:*	**Moderate**	(1.1%)	2.6%	6.2%
Inherent Budget Flexibility						Superior	

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2016	2017	2018	2019	2020	2021	2022	Year 1	Year 2	Year 3
Total Revenues	1,148,090	1,211,361	1,281,092	1,344,299	1,376,450	1,484,054	1,818,638	1,798,552	1,844,665	1,959,630
% Change in Revenues	-	5.5%	5.8%	4.9%	2.4%	7.8%	22.5%	(1.1%)	2.6%	6.2%
Total Expenditures	1,013,967	1,067,849	1,107,249	1,159,321	1,201,189	1,249,304	1,328,106	1,354,668	1,381,761	1,409,396
% Change in Expenditures	-	5.3%	3.7%	4.7%	3.6%	4.0%	6.3%	2.0%	2.0%	2.0%
Transfers In and Other Sources	12,972	27,562	15,772	21,780	14,538	15,413	13,931	13,777	14,130	15,011
Transfers Out and Other Uses	148,158	157,594	150,634	162,403	166,696	176,251	439,279	448,064	457,025	466,166
Net Transfers	(135,187)	(130,032)	(134,863)	(140,622)	(152,159)	(160,838)	(425,348)	(434,287)	(442,895)	(451,155)
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus/(Deficit) After Transfers	(1,064)	13,480	38,980	44,356	23,102	73,913	65,185	9,597	20,009	99,078
Net Operating Surplus/(Deficit) (% of Expend. and Transfers Out)	(0.1%)	1.1%	3.1%	3.4%	1.7%	5.2%	3.7%	0.5%	1.1%	5.3%
Unrestricted/Unreserved Fund Balance (General Fund)	167,845	183,617	221,806	259,496	270,334	335,856	397,929	407,525	427,534	526,612
Other Available Funds (GF + Non-GF)	-	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Other Available Funds)	167,845	183,617	221,806	259,496	270,334	335,856	397,929	407,525	427,534	526,612
Combined Available Fund Bal. (% of Expend. and Transfers Out)	14.4%	15.0%	17.6%	19.6%	19.8%	23.6%	22.5%	22.6%	23.3%	28.1%

Reserve Safety Margins	Inherent Budget Flexibility				
Moderate	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	17.7%	8.8%	5.5%	3.3%	2.2%
Reserve Safety Margin (aa)	13.3%	6.6%	4.4%	2.8%	2.0%
Reserve Safety Margin (a)	8.8%	4.4%	2.8%	2.0%	2.0%
Reserve Safety Margin (bbb)	3.3%	2.2%	2.0%	2.0%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's scenario analysis assumes the GDP and expenditure growth sequence shown in the 'Scenario Parameters' section. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

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