

### ALABAMA

#### Lanier Health Goes South

Standard & Poor's last week lowered its rating on Lanier Health Services bonds issued for Chattahoochee Valley Hospital Society Inc. to BB-plus from BBB-minus, reflecting a proposed 50% increase in long-term debt and recent operating losses.

The drop to non-investment grade affects about \$12.71 million of rated debt. The outlook is stable.

"The stable outlook reflects our expectation that management will successfully execute its plan to correct current operating weaknesses and restore positive operating margins over the next two years," said Standard & Poor's analyst Karl Propst. "We also expect that Lanier will capture adequate new patient volumes from the expected population influx within its 10-county total service area without dilution of its current market share."

Propst said the lower rating reflects Lanier's proposed increase to long-term debt, a \$1.98 million net operating loss for fiscal 2007, a \$500,000 operating loss for the six months ending on Dec. 31, a weak 1.1 times pro forma maximum-annual debt service coverage, clinical staff concentration with 72% of inpatient admissions generated by the top 10 admitting physicians, and new senior leadership.

The downgrade comes ahead of Lanier's planned issue of \$25.8 million of refunding bonds rated BB-plus by Standard & Poor's. Further details on the sale were not immediately available.

— Shelly Sigo

### FLORIDA

#### Santa Rosa Bridge on Brink

Fitch Ratings on Monday placed the Santa Rosa Bay Bridge Authority's BB-minus rating on negative watch, affecting about \$116 million of outstanding revenue bonds. The action reflects recent year-over-year traffic declines that have grown larger since the implementation of a 17% toll increase in July 2007, resulting in a 10% decline in traffic and limited revenue growth, said a report by analyst Manutosh Mathur.

"To the extent traffic continues on its current pattern and management does not act to enhance revenue, the current profile is inconsistent with the BB-minus rating," Mathur wrote. "Recent traffic declines may cause the reserve to be drawn down at a greater rate than was previously expected. Management's willingness to raise tolls in the past is seen as a positive, but with decline in traffic and rapidly depleting debt service reserve funds, a plan to increase the toll beyond rate of inflation is needed."

The current rating reflects the poor traffic and revenue performance relative to forecast and the weak financial profile of the Garcon Point toll bridge, which crosses Pensacola Bay in the Florida Panhandle.

The rating also reflects limited rate-making flexibility, approximately \$6.8 million in the debt service reserve fund, the escalating debt service schedule, and the fact that the state, through deeply subordinated advances by the U.S. Department of Transportation, provides considerable operating and financial support.

Overall toll traffic has been considerably lower than initially forecasted since the bridge opened in May 1999, but growth has been evident in recent years. The authority's forecast in 1996 called for 3.1 million transactions in fiscal 2007 versus an actual number of 1.6 million. However, traffic volume in fiscal years 2004 through 2006 demonstrated marked improvement over prior years. Fiscal 2006 and 2007 marked the first few years that the authority did not need to use its debt service reserve fund to pay current debt service, according to Mathur.

Moody's Investors Service in September downgraded its rating to B2 from B1. Standard & Poor's assigns a B-minus rating to the bonds.

Bonds financing the 3.5-mile long toll bridge were originally sold with Baa2, BBB, and BBB-minus ratings from Moody's, Fitch, and Standard & Poor's, respectively.

— Shelly Sigo

### GEORGIA

#### S&P Affirms Atlanta TAD Debt

Standard & Poor's on Tuesday affirmed its BBB rating and stable out-

look on Atlanta's \$85.5 million tax allocation refunding bonds, Series 2007, in light of the Georgia Supreme Court's ruling this week that tax increment revenues cannot include taxes from local school districts.

The refunding related to the Atlantic Station Project in downtown Atlanta where the city used a tax allocation district, or TAD, to fund improvements. Georgia's districts use what is commonly referred to as tax increment financings, or TIFs.

"The court ruled that the state constitution prohibits the use of school tax revenue as security on the city's BeltLine project tax allocation bonds, a different series of bonds," Standard & Poor's said in a statement. "However, the ruling does not appear to apply to Atlanta's Atlantic Station bonds due to a previous bond validation action."

"The Series 2007 bonds were validated Aug. 9, 2007, and, therefore, Standard & Poor's does not currently consider the revenue pledged to the bonds affected" by the ruling, the agency said.

The Georgia Supreme Court in a unanimous decision on Monday ruled that the state constitution prohibits Atlanta from using school tax revenue to secure TAD bonds financing portions of its BeltLine project, a 22-mile transit, park, and redevelopment project that loops around the city's inner core.

The ruling overturned a lower court's validation of \$200 million of TAD bonds sought by Atlanta with the support of Fulton County and the Atlanta Independent School System. Since justices ruled on a constitutionality issue, it applies to TAD bonds going forward.

Attorneys believe all TAD bonds in the state that were validated and sold with a school district revenue pledge before the Supreme Court ruling are protected.

Georgia law requires TAD bonds be validated by a court before they can be sold. Such validation usually protects the issuer from legal challenges.

The Supreme Court ruling is a setback for the nearly \$2 billion BeltLine project as well as redevelopment efforts across the state dependent upon bond financing through TADs, city officials and attorneys said.

— Shelly Sigo

### VIRGINIA

#### Regional RTA Plan Advances

The Charlottesville City Council and Albemarle County Board of Supervisors on Monday unanimously approved moving forward with the formation of a regional transportation authority to spearhead expanded bus service, a project that could be funded with bonds.

Albemarle County Supervisor David L. Slutzky said the next step for the city and county is to have a proposal ready for the Virginia General Assembly next year. The RTA would oversee a route expansion with service from downtown Charlottesville to the University of Virginia and on U.S. 29 to the Newport News/Williamsburg International Airport, creating a "vastly expanded system of routes that would feed into a bus and rapid-transit backbone."

Following a feasibility study, council members and supervisors agreed the best route for the project to take would be to form an RTA. The Charlottesville-Albemarle Metropolitan Planning Organization is now charged with coming back "with a more refined vision" of what the new system would look like, Slutzky said.

MPO members will most likely look to a gas tax hike or a sales tax increase to fund the project. Its operating costs are estimated at \$11 million and capital costs would be between \$8 million and \$18 million, according to the MPO. However, if officials expect to use a rapid transit system with dedicated lanes for buses, those costs could increase to as much as \$138 million, Slutzky said.

MPO members said they do not intend on using a property tax increase to fund the project.

The bus system is currently owned and operated by Charlottesville, with Albemarle contributing funds. About 80% of service is in the city and the rest in the county.

Slutzky said the city and county have a "serious problem" with road congestion. He added that public transit could be bolstered by the increasing cost of fuel and mandates to decrease carbon dioxide emissions.

— Lynne Funk

State	Feb. 13, 2008		Feb. 6, 2008		Chg in Amt
	Issues	Amount	Issues	Amount	
Alabama	0	\$0	0	\$0	\$0
Florida	7	944,475,000	8	1,247,555,000	-303,080,000
Georgia	1	5,000,000	1	37,000,000	-32,000,000
Kentucky	2	9,730,000	7	77,190,000	-67,460,000
Louisiana	5	78,300,000	6	79,165,000	-865,000
Mississippi	3	37,090,000	2	30,000,000	7,090,000
North Carolina	0	0	3	56,995,000	-56,995,000
South Carolina	1	93,155,000	2	105,200,000	-12,045,000
Tennessee	2	2,594,780,000	7	2,643,850,000	-49,070,000
Virginia	0	0	2	30,120,000	-30,120,000
West Virginia	0	0	0	0	0

Source: The Bond Buyer

State	Ratings	One-Year	Five-Year	10-Year	30-Year
Virginia	Aaa/AAA/AAA	1.10 / 1.11	2.67 / 2.75	3.37 / 3.53	4.32 / 4.48
North Carolina	Aaa/AAA/AAA	1.11 / 1.11	2.68 / 2.79	3.38 / 3.53	4.32 / 4.49
Georgia	Aaa/AAA/AAA	1.11 / 1.12	2.68 / 2.76	3.38 / 3.50	4.32 / 4.45
Tennessee	Aa1/AA+/AA+	1.14 / 1.14	2.77 / 2.79	3.51 / 3.55	4.47 / 4.52
South Carolina	Aaa/AA+/AAA	1.11 / 1.11	2.69 / 2.80	3.41 / 3.53	4.32 / 4.50
Alabama	Aa2/AA/AA	1.13 / 1.13	2.79 / 2.81	3.52 / 3.56	4.47 / 4.52
Mississippi	Aa3/AA/AA	1.16 / 1.16	2.79 / 2.81	3.52 / 3.57	4.47 / 4.52
West Virginia	Aa3/AA-/AA-	1.14 / 1.14	2.81 / 2.83	3.53 / 3.58	4.50 / 4.54
Florida	Aa1/AAA/AA+	1.20 / 1.17	2.83 / 2.85	3.54 / 3.57	4.49 / 4.52
Kentucky	Aa2/AA-/AA-	1.15 / 1.15	2.82 / 2.82	3.54 / 3.57	4.50 / 4.52
Louisiana	A2/A/A	1.16 / 1.13	3.07 / 2.82	3.82 / 3.59	4.67 / 4.54

\*The second number for each maturity represents MMD's insured yield for that state.  
Sources: Municipal Market Data, Moody's Investors Service, Standard & Poor's, Fitch Ratings