

# RatingsDirect®

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## Summary:

# Auburn, Washington; General Obligation

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### Credit Profile

Auburn Ltd tax GO & rfdg bnnds ser 2010A due 12/01/2018

*Long Term Rating*

AA+/Stable

Upgraded

## Rationale

Standard & Poor's Ratings Services raised its long-term rating to 'AA+' from 'AA' on Auburn, Wash.'s general obligation (GO) bonds based on the application of our local GO criteria released Sept. 12, 2013. The outlook is stable.

The bonds are secured by the city's full faith and credit, including the obligation to levy ad valorem taxes subject to statutory limitations that include a revenue growth limitation of 1% per year (excluding new construction and any accumulated capacity not exercised in prior years under the growth limit) and a levy rate cap.

The rating reflects our assessment of the following factors for the city:

- We consider Auburn's economy to be strong, with per capita effective buying income at 91% of the U.S. level and per capita market value of \$89,463. The city is located in southern King County, 25 miles south of Seattle and 10 miles east of Tacoma. The city has access to the broad and diverse Seattle region. The tax base is diverse, with the top 10 taxpayers accounting for 15.3% of the total assessed value. Boeing Co. accounts for 6.5% of the total tax base and 12% of the city's employment. The county unemployment rate for calendar 2012 was 7%.
- We view the city's management conditions as very strong. Informing this opinion is our "strong" assessment under our financial management assessment (FMA) methodology, indicating our view that practices are strong, well embedded, and likely sustainable. The city's management techniques include long-term planning for revenue and expenditures, long-term capital planning through the use of a six-year capital improvement plan that identifies all funding sources, quarterly reporting of investment performance to the city council, and a well-defined reserve policy.
- In our opinion, the city's budgetary flexibility is very strong, with available general fund reserves of about \$23.3 million, or 47.5% of expenditures, for 2012. Although the city budgeted for deficits in 2013 and 2014, based on our discussions with management we expect that the city's available reserves will remain in excess of 25% of expenditures through at least 2014 and may approximate the 2012 level.
- The city's budgetary performance is adequate, in our view. We calculate a 4.3% after-transfer operating surplus in the general fund for 2012 and a 1.1% surplus for its total governmental funds. Although the city's sales tax and property tax revenue have increased, the city budgeted for general fund operating deficits in 2013 and 2014.
- Supporting the city's finances is liquidity that we consider very strong, with total government available cash at 98% of total governmental fund expenditures and about 21x debt service for 2012. We believe the city has strong access to external liquidity based on prior access to capital markets.
- In our opinion, the city's debt and contingent liability profile is strong, with total governmental fund debt service at 4.7% of total governmental fund expenditures, and with net direct debt at 96.3% of total governmental funds revenue. The city's overall net debt as percent of market value is low at 2.9%.
- The city participates in the State Public Employees Retirement System and the Law Enforcement Officers' and Fire

Fighters' Retirement System to provide pension benefits for employees. It has contributed 100% of the annual required contribution (ARC) in each of the past three years. The combined ARC pension and pay-as-you-go other postemployment benefits costs were 4.4% of expenditures in 2012.

- We consider the Institutional Framework score for Washington cities adequate.

## **Outlook**

The stable outlook reflects our opinion that the city's very strong budgetary flexibility and liquidity profiles will continue, aided in part by very strong management conditions. We do not anticipate changing the rating within our two-year outlook period but could do so if actual financial performance in 2013 and 2014 is substantially negative and the city's difficulty in correcting such an imbalance leads to a significantly weakened financial position.

## **Related Criteria And Research**

### **Related Criteria**

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

### **Related Research**

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Washington Local Governments

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