

RatingsDirect®

Summary:

Fishers, Indiana; Appropriations; General Obligation; General Obligation Equivalent Security

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Credit Profile

US\$3.950 mil GO bonds ser 2018A dtd 03/29/2018 due 01/01/2038		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
US\$1.05 mil Taxable GO bonds ser 2018B due 01/01/2025		
<i>Long Term Rating</i>	AAA/Stable	New
Fishers GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AAA' long-term rating to the City of Fishers, Ind.'s \$3.95 million general obligation (GO) bonds, series 2018A, and \$1 million taxable GO bonds, series 2018B. S&P Global Ratings also affirmed its 'AAA' rating on the ad valorem tax-secured and GO debt issued by and on behalf of the city. The outlook is stable.

The 2018 bonds are general obligations of the city secured by ad valorem property taxes to be levied on all taxable property within the city. Bond proceeds will be used to acquire land associated with the Geist Park Project.

We have also affirmed our 'AAA' long-term rating with a stable outlook on \$12 million former series 2017 (now 2018) lease rental revenue bonds (Geist Park Project), issued on behalf of Fishers. The bond issuance was delayed and is expected to occur in June of 2018. For more information on the structure of this transaction, please see the report published Dec. 14, 2017, on RatingsDirect.

Finally, S&P Global Ratings has affirmed its 'AAA' long-term ratings on certain GO-equivalent obligations that were also issued under the lease structure. The levy of pledged ad valorem property taxes issued under the lease structure is not subject to annual appropriation in Indiana, but lease rental payments are subject to abatement risk. Pursuant to the loan and lease agreements, the city is required to maintain rental value insurance equal to two years' payments. Certain leases contain a requirement to maintain full replacement casualty insurance equal to 100% of the value. The other leases that were issued strictly to finance infrastructure projects contain provisions requiring the redevelopment commission to substitute the lease premises for different leased premises if the original are deemed unusable. In our view, these various provisions mitigate the abatement risk.

The 'AAA' rating is based on ad valorem property tax pledges, subject to state circuit-breaker legislation, which places caps on the property tax burden for taxpayers based on a percent of real estate parcels' gross assessed value. Debt service funds are protected funds meaning that debt service funds are included in the calculation of the circuit-breaker credit but are protected from circuit-breaker revenue loss. We rate this debt at the same level as the issuer credit rating.

Fishers' bonds are rated above the U.S. sovereign rating because we believe the city can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions" (published Nov. 19, 2013, on RatingsDirect), we consider state and local governments to have moderate sensitivity to country risk. The city's local property tax revenue is the primary source of security for the bonds, which significantly limits the possibility of negative sovereign intervention in the payment of debt or operations of the city. The institutional framework in the nation is predictable for cities, allowing them significant autonomy and independent treasury management; there has been no history of government intervention. Moreover, the city's very strong general fund balance as a percent of expenditures underscores its very strong financial flexibility.

The 'AAA' rating reflects the following credit characteristics of Fishers:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with balanced operating results in the general fund and at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 37% of operating expenditures;
- Very strong liquidity, with total government available cash at 55.9% of total governmental fund expenditures and 2.6x governmental debt service, and access to external liquidity we consider exceptional;
- Very weak debt and contingent liability position, with debt service carrying charges at 21.3% of expenditures and net direct debt that is 306.1% of total governmental fund revenue; and
- Strong institutional framework score.

Very strong economy

Fishers' economy is very strong. The affluent city is in southeastern Hamilton County, approximately 20 miles northeast of downtown Indianapolis. The city is directly tied to the broad and diverse Indianapolis-Carmel-Anderson MSA, so residents have access to ample employment opportunities in the city and throughout the MSA.

The city has undergone significant expansion over the past few decades because its population has increased by more than 1,000%, to an estimated 88,930 in 2017, from 7,508 in 1990. Fishers' rapid residential expansion has been accompanied by accelerated commercial development, which has diversified the tax base. However, the city is far from being built out, and officials project the population will rise to more than 110,000 by 2030. Numerous companies are making large capital investments in Fishers. In 2017, \$65 million of capital investment created 2,185 new jobs.

The city has a projected per capita effective buying income of 135% of the national level and per capita market value of \$105,677. Overall, market value grew by 3.9% in 2016 to \$9.4 billion in 2017. Unemployment in Hamilton County is low at 3.2% in 2016.

Very strong management

We view the city's management as very strong, with "strong" financial policies and practices under our FMA

methodology, indicating financial practices are strong, well embedded, and likely sustainable.

The city uses historical data and projections that a consultant updates to assist in preparing the annual budget. The council monitors budget and investment performance monthly. Fishers maintains a long-term, comprehensive fiscal plan that serves as the financial forecast (using the budgetary cash basis of accounting), and management routinely updates and shares the plan with the city council. The city has a formal, five-year capital plan that is updated at least annually. It also has formal comprehensive investment and debt management policies, and a formal reserve policy. The cash policy calls for reserves of at least 50% of the ensuing year's projected property tax levy.

Strong budgetary performance

The city reports its financial results according to generally accepted accounting principles (GAAP), unlike the vast majority of Indiana municipalities that report on a cash basis of accounting. Fishers' 2015 and 2016 comprehensive annual financial reports; Dec. 31 year-end) have been audited by the Indiana State Board of Accounts.

Fishers' budgetary performance is strong in our opinion. The city had balanced operating results of 0.4% of expenditures in the general fund and negative 0.3% across all governmental funds in fiscal 2016 after adjusting for one-time capital spending as well as for spending associated with a debt refunding.

The two main general fund revenue sources are property (44%) and income (41%) taxes. Both revenue categories have performed well in the past several years. Fishers expects property tax and income tax revenues to continue to increase as a result of tax-base expansion. The city's share of countywide income tax revenue is based on Fishers' property tax as a percent of the total county tax. As property tax revenue increases, so will income tax revenue.

The city regularly updates its long-term financial projections prepared on a budgetary, cash-basis of accounting; the current forecast shows positive general fund operations (cash surplus) for 2017 and 2018. Taking into account historical operating results, and economic and political environment and projections, we expect performance to remain strong over the next two years. The city will be receiving two new sources of revenue in 2018: a \$2.5 million wheel tax and \$450,000 in certified tech park revenues.

Given Fishers' continued investment in infrastructure and development, expenditures have risen considerably (about 35% in the past five years) and will continue to increase in the near future. However, we believe the city's revenue growth will likely enable management to strategically invest in capital expenditures and new services for its population.

Very strong budgetary flexibility

Fishers' budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 37% of operating expenditures, or \$18.6 million. We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

The city has historically maintained very strong general fund reserves, and we expect the trend to continue. The cash policy calls for reserves of at least 50% of the ensuing year's projected property tax levy.

Very strong liquidity

In our opinion, Fishers' liquidity is very strong, with total government available cash at 55.9% of total governmental fund expenditures and 2.6x governmental debt service in 2016. In our view, the city has exceptional access to external liquidity if necessary.

Given the city's frequent debt issuance through multiple instruments and securities, we consider access to external liquidity exceptional. The city does not have any direct-purchase debt obligations with permissive loan provisions that could potentially pressure the city's liquidity. Investments are primarily in money-market mutual funds, certificates of deposit, U.S. Treasury bonds, and municipal bonds. We expect the city's liquidity position to remain very strong.

Very weak debt and contingent liability profile

In our view, Fishers' debt and contingent liability profile is very weak. Total governmental fund debt service is 21.3% of total governmental fund expenditures, and net direct debt is 306.1% of total governmental fund revenue.

Fishers' direct debt burden is relatively high (\$247 million in principal), which we view as a credit weakness. The city also plans to issue \$15 million in 2018 to finance a new police station and \$9.2 million to finance the yard project. The amount of debt Fishers issued is relatively high; however, a significant portion of the city's direct debt burden is paid through tax increment and county option income tax revenues, limiting the property tax burden on homeowners.

The city's pension plans are well funded. Fishers made its full annual required pension contribution in 2016, which was just 5% of total governmental fund expenditures in 2016. The city made its full annual required pension contribution in 2016.

Fishers contributes to three plans: Indiana Public Employee Retirement Fund (PERF), and the combined 1977 police officers' and the firefighters' pension and disability funds, which are all cost-sharing, multi-employer, defined-benefit pension plans administered by the state. As of Dec. 31, 2016, the city reported a liability of \$9 million for its proportionate share of the PERF net pension liability. The net pension liabilities for 1977 police officers' and firefighters' pension and disability funds were moderate at \$722,866 and \$933,401, respectively, as these plans are almost 100% funded. The city's largest plan, PERF, was 76.6% funded in 2017 (based on Governmental Accounting Standards Board Statements No. 67 and 68). The funded ratio is slightly below the recommended 80% level; however, the assumptions built into the valuations are reasonable. Therefore, we expect pension costs to remain low and manageable in the next few years.

Strong institutional framework

The institutional framework score for Indiana municipalities is strong.

Outlook

The stable outlook reflects our view that Fishers' economic strength, sound fiscal practices, and very strong reserves should enable the city to retain its strong credit profile in the next two years despite its high leverage. The city's growing revenues will continue to provide fiscal stability in the near term. Higher revenues should allow the city to strategically invest in capital expenditures and new services for its increasing population. As a result, we do not expect to change our rating in the next two years.

Factors that could result in negative rating pressure are a decline in fiscal performance that results in structural imbalance caused by economic stagnation and high fixed costs or a material rise in debt liability levels beyond expectations, although we do not anticipate this to occur in the next two years.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2017 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of March 7, 2018)		
Fishers redev dist bnds ser 2017A due 07/15/2034		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers redev dist rfdg bnds ser 2017B due 07/15/2034		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers redev dist rfdg bnds ser 2017C due 07/15/2034		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers taxable econ dev rev bnds (Fishers) ser 2016A dtd 11/10/2016 due 02/01/2036		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers taxable redevelopment dist bnds ser 2017A2 due 07/15/2021		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers Redev Auth, Indiana		
Fishers, Indiana		
Fishers Redev Auth (Fishers)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers Redev Auth (Fishers)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers Redev Auth (Fishers)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers Redev Auth (Fishers) lse rental rev bnds (Fishers) ser 2017 due 01/15/2037		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers Redev Auth (Fishers) GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers Redev Auth (Fishers) (106th Street Interchange Proj)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Fishers Redev Auth (Fishers) lse rent rev bnds (Fishers) ser 2003 dtd 12/01/2003 07/15/2005 01/15 & 07/15/2006-2011 07/15/2012-2023 2025		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Fishers Twn Hall Bldg Corp, Indiana		
Fishers, Indiana		
Fishers Twn Hall Bldg Corp (Fishers) lse rental rev bnds		

Ratings Detail (As Of March 7, 2018) (cont.)		
Long Term Rating	AAA/Stable	Affirmed
Fishers Twn Hall Bldg Corp (Fishers) GO		
Long Term Rating	AAA/Stable	Affirmed
Fishers Twn Redev Dist, Indiana		
Fishers, Indiana		
Fishers Twn Redev Dist (Fishers) GO		
Long Term Rating	AAA/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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