CITY OF SALEM

555 Liberty St SE
Salem, OR 97301

Staff Report

File #: 16-191	**Date:** 8/22/2016
Version: 1	**Item #:** 6.a.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kacey Duncan, Deputy City Manager

SUBJECT:

Update on City of Salem Bond Rating

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods

ISSUE:

Information regarding Standard and Poor's recent affirmation of the City of Salem 'AA' rating for the 2009 General Obligation bond issuance.

RECOMMENDATION:

Information Only.

SUMMARY AND BACKGROUND:

Analysts at Standard and Poor's (S&P) recently completed their biennial review of the City's 2009 General Obligation (GO) bond issuance and affirmed the City's 'AA' rating. Bond ratings are critical for access to capital markets and access to low interest rates. Maintaining or improving the City's bond rating is a defined credit objective in Council Policy C-2, the City's debt policy.

FACTS AND FINDINGS:

As part of the rate review process, S&P interviewed and obtained information from City staff and examined published financial documents. A summary of the rating report reflects the following opinion of the City's financial condition from S&P:

- Strong economy, with access to a broad and diverse metropolitan statistical area;
- Very strong management, with strong financial policies;
- Adequate budgetary performance, with operating results that we expect could deteriorate in the near term relative to fiscal 2015, which closed with an operating surplus in the general fund and a slight operating surplus at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 25% of operating expenditures;
- Very strong liquidity, with total government available cash at 113.2% of total governmental fund expenditures and 9.1x governmental debt service, and access to external liquidity considered strong;
- Adequate debt and contingent liability position, with debt service carrying charges at 12.4% of expenditures and net direct debt that is 131.7% of total governmental fund revenue, as well as rapid amortization, with 90.1% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

The full report is included as Attachment 1. S&P indicates that a rating change in the next two years is unlikely. A significant increase in wealth metrics to comparable peer levels or deterioration in financial performance and budgetary flexibility would be necessary to prompt a rating increase or decrease.

David Lacy
Senior Fiscal Analyst

Attachments:

1. Standard & Poor's General Obligation Rating Analysis dated July 1, 2016

08/03/2016