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Ratings

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Summary:

Fort Wayne Redevelopment Authority, Indiana
Fort Wayne; General Obligation Equivalent Security

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Credit Profile		
Fort Wayne Redev Auth, Indiana		
Fort Wayne, Indiana		
Fort Wayne Redev Auth (Fort Wayne) lse rental rev bnds (Fort Wayne) ser 2016 due 02/01/2030		
Long Term Rating	AA-/Stable	Rating Assigned
Fort Wayne Redev Auth (Fort Wayne) GO		
Long Term Rating	AA-/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to Fort Wayne Redevelopment Authority, Ind.'s series 2016 lease rental revenue bonds, issued for Fort Wayne. At the same time, we affirmed our 'AA-' long-term rating on the city's previously rated obligations. The outlook is stable.

The series 2016 bonds are secured by lease rental payments made by the Fort Wayne Redevelopment Commission to the Fort Wayne Redevelopment Authority. Securing the lease is a special benefits tax (ad valorem property tax) on all taxable property within the territorial limits of the commission, which is coterminous with the city. The city's and district's aggregate property tax levy is subject to the circuit-breaker limitations, yet all debt service levies are levied to their full extent, with any circuit-breaker losses first distributed across nondebt service levies.

We rate the bonds based on the special benefits tax pledge, because the lease payments are not subject to annual appropriation, and because we believe the property tax securing the lease payments is stronger than the pledge of tax increment and other revenue.

Certain tax increment revenues and general revenue of the Allen County Capital Improvement Board are also pledged to the lease, and these, together with certain city income tax revenue, which has not been formally pledged, are the anticipated revenue sources from which lease rental payments will originate. However, revenues equal to the next calendar year's lease payments must be on hand and deposited into the lease fund before the city can decide not to levy the ad valorem tax to cover all of its annual lease payment. In our view, this mitigates potential liquidity pressure in the event the ad valorem tax is not levied, and tax increment or other revenues underperform. There is also a lease reserve fund has been formally set aside in the city's community legacy fund; the lease reserve requirement states that the commission must maintain the reserve in an amount equal to the maximum amount of lease rentals due on July 15 and Jan. 15 of any year during the term of the lease. Lease payments are not subject to annual appropriation, but there is abatement risk. Mitigating this risk, however, is a requirement that the lessee maintains business interruption and replacement insurance on the leased property. Management intends to use the bond proceeds to fund certain road and infrastructure improvements.

The rating reflects the following characteristics:

- Adequate economy, with projected per capita effective buying income at 86.5% and market value per capita of $51,284, that is gaining advantage from access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with an operating surplus in the general fund but an operating deficit at the total governmental fund level in fiscal 2015;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 44% of operating expenditures;
- Very strong liquidity, with total government available cash at 38.6% of total governmental fund expenditures and 5.1x governmental debt service, and access to external liquidity we consider exceptional;
- Adequate debt and contingent liability position, with debt service carrying charges at 9.0% of expenditures and net direct debt that is 87.0% of total governmental fund revenue, as well as rapid amortization, with 70.5% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Adequate economy

We consider Fort Wayne's economy adequate. The city, with an estimated population of 259,799, is located in Allen County in the Fort Wayne, IN MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 86.5% of the national level and per capita market value of $51,284. Overall, the city's market value grew by 1.7% over the past year to $13.3 billion in 2016. The county unemployment rate was 4.5% in 2015.

Fort Wayne is the second-largest city in Indiana, and is located in the along Interstate 69 about 115 miles northeast of Indianapolis. The city serves as the Allen County seat. Local employment is centered in the service industry; leading employers include Parkview Health Systems (4,710 employees), Fort Wayne Community School Corp. (4,353 employees), Lutheran Health Network (4,301 employees), and General Motors Corp. (3,909 employees). Local employers and taxpayers have been stable, according to city management.

Strong management

We view the city's management as strong, with good financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

The city uses third-party sources as well as historical information when building the budget, and may amend the budget at any point throughout the year, if needed. The city provides budget-to-actual comparison reports to its council members monthly, and develops five-year revenue and expenditure forecasts that are reviewed annually with the council. While the city does not have a targeted level of reserves, historically, it has maintained in excess of 30% of expenditures in the available funds. The city also maintains a five-year capital improvement plan, which is updated annually and includes estimated project costs and funding sources for the projects. The city has its own investment policy and reports monthly on investment performance. There is no debt management policy in place for the city that is more restrictive than state limitations.

Adequate budgetary performance

Fort Wayne's budgetary performance is adequate in our opinion. The city had surplus operating results in the general fund of 2.9% of expenditures, but a deficit result across all governmental funds of negative 2.3% in fiscal 2015.

We have considered the public safety local option income tax (LOIT) and the fire funds to be general operating funds of the city, and have therefore blended the performance in these two funds with the general fund performance. General fund and total governmental funds revenue and expenditures have been adjusted to account for 1x expenditures and recurring transfers.

City management expects 2016 results will show a slight surplus across the fire, public safety LOIT, and general funds, which is in line with the prior two years' results. Total governmental fund results are expected to be positive in 2016 and at least balanced in 2017; however, we understand there will be capital spending in some governmental funds. Therefore, we expect the city's budgetary performance to remain adequate in the near term.

Very strong budgetary flexibility

Fort Wayne's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2015 of 44% of operating expenditures, or $58.0 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 available fund balance includes $8.8 million (6.7% of expenditures) in the general fund and $49.2 million (38% of expenditures) that is outside the general fund but legally available for operations.

We have included the available balances in the city's general, public safety LOIT, fire, county economic development income tax, cumulative capital improvement, "rainy day," and the cash and investment balance in the community legacy fund. A significant amount of the city's available reserves are held in the community legacy fund, which was built primarily with revenue from the sale of the city's electric utility; 2015 fiscal year-end results show a cash and investments balance of $34.553 million. City management does not expect to significantly reduce available reserves in any of the seven available funds, and therefore we do not expect deterioration in the city's budgetary flexibility score.

Very strong liquidity

In our opinion, Fort Wayne's liquidity is very strong, with total government available cash at 38.6% of total governmental fund expenditures and 5.1x governmental debt service in 2015. In our view, the city has exceptional access to external liquidity if necessary.

Based on the frequency and type of past debt issuances, we believe that the issuer has exceptional access to capital markets to provide for liquidity needs if necessary. While state policies on investments can be permissive, the city has its own, more restrictive investment policy, and by practice invests mostly in mutual funds and certificates of deposit, which we do not view as high risk investments. City management has no plans to significantly reduce the cash balances.

Adequate debt and contingent liability profile

In our view, Fort Wayne's debt and contingent liability profile is adequate. Total governmental fund debt service is 9.0% of total governmental fund expenditures, and net direct debt is 87.0% of total governmental fund revenue.

Approximately 70.5% of the direct debt is scheduled to be repaid within 10 years, which is in our view a positive credit factor.

We understand that the city has no additional debt plans at this time. Fixed debt charges were calculated using estimated debt service including new issue debt service.

Fort Wayne's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 7.8% of total governmental fund expenditures in 2015. Of that amount, 6.0% represented required contributions to pension obligations, and 1.8% represented OPEB payments. The city made its full annual required pension contribution in 2015.

The city made its full annual required pension contribution in 2015. Fort Wayne contributes annually to the state-managed Indiana Public Employee Retirement Fund and the 1977 Police Officers' and Firefighters' Pension and Disability Fund. The city subsidizes health care premiums annually for certain qualified retirees.

Strong institutional framework

The institutional framework score for Indiana municipalities is strong.

Outlook

The stable outlook is based on the city's very strong budgetary flexibility and liquidity. We expect these factors to remain stable in the next two years, and therefore, we do not expect to change the rating in the outlook horizon.

Upside scenario

If the city's economic metrics significantly strengthen while financial flexibility is maintained, we could raise the rating.

Downside scenario

Should the city allow spending to outpace revenue growth and budgetary flexibility or liquidity deteriorates, we could lower the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- 2015 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of September 26, 2016)		
Fort Wayne Redev Auth, Indiana		
Fort Wayne, Indiana		
Fort Wayne Redev Auth (Fort Wayne) lse rent rev rfdg bnds (Fort Wayne) ser 2012 dtd 05/22/2012 due 02/01/2013-2028		
Long Term Rating	AA-/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria.

Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.