

RatingsDirect®

Summary:

Wyoming, Ohio; General Obligation

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Credit Profile

US\$6.72 mil various purp ltd tax GO rfdg bnds ser 2017 dtd 04/25/2017 due 12/01/2029

Long Term Rating AAA/Stable New

Wyoming GO

Long Term Rating AAA/Stable Affirmed

Rationale

S&P Global Ratings assigned its 'AAA' rating to Wyoming, Ohio's series 2017 general obligation (GO) bonds. At the same time, we affirmed our 'AAA' rating on the city's outstanding GO bonds. The outlook is stable.

The city's limited-tax GO pledge secures the bonds within the state's statutory 10-mill limitation. Bond proceeds are being used to advance refund a portion of the city's series 2009 limited-tax GO bonds, and currently refund its series 2006 limited-tax GO bonds for a net present value savings of just under \$450,000.

Wyoming's GO bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings-Methodology And Assumptions" (published Nov. 19, 2013, on RatingsDirect), the city has a predominately locally derived revenue source with roughly 94% of general fund revenue derived from local revenue sources.

The rating reflects our assessment of the following factors of the city, specifically its:

- 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 operating surpluses in the general fund and at the total governmental fund level in fiscal 2015;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 45% of operating expenditures;
- Very strong liquidity, with total government available cash at 47.6% of total governmental fund expenditures and 4.5x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges at 10.5% of expenditures and net direct debt that is 88.0% of total governmental fund revenue, as well as rapid amortization, with 83.4% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Wyoming's economy very strong. The city, with an estimated population of 8,554, is in northern Hamilton County in the Cincinnati MSA, which we consider to be broad and diverse. It is a built-out first-ring suburb of

Cincinnati. The city has a projected per capita effective buying income of 129% of the national level and per capita market value of \$102,478. The county unemployment rate was 4.5% in 2015.

The city is primarily a residential community, with roughly 98% of real estate assessed value (AV) classified as residential and the remaining 2% classified as commercial. AV has increased by 0.6% since fiscal 2014, totaling \$306.8 million in fiscal 2016. We believe the city's tax base will continue to grow by at least 3% in the next valuation at the end of this year. County unemployment averaged 4.5% in 2015, which was below both state and national averages, respectively.

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 analysis when budgeting and bases revenue growth projections on conservative assumptions. It typically focuses on three years of historical data, and examines regional economic data to formulate budget assumptions. After the initial budget is created, it is typically amended twice a year, although the city can update it more frequently. City council receives a report on budget-to-actual results monthly.

On an annual basis, the city updates a five-year forecast for the general fund, which is presented to and adopted by council. The city has a formal five-year capital plan, which is also adopted by council and updated on an annual basis. The plan identifies costs and funding sources for future projects.

The city's investment policy essentially mirrors state guidelines, with monthly compliance reports to the council. The monthly reviews involve performance reviews of the investments, as well as the suitability of the holdings. Also, the nature of the holdings is limited. The city has a formal debt policy that is well defined with specific parameters, although it does not address the use of swaps. The city also has a formal reserve policy of maintaining a minimum general fund balance of \$200,000, an amount sufficient to begin operating at the beginning of each fiscal year. However, on an informal basis, it targets to maintain a higher fund balance than the policy requirement, as available fund balance has historically remained well over \$1 million.

Strong budgetary performance

Wyoming's budgetary performance is strong, in our opinion. The city had operating surpluses of 5.5% of expenditures in the general fund and 2.8% across all governmental funds in fiscal 2015. Our assessment accounts for the fact that we expect budgetary results could deteriorate somewhat from 2015 results in the near term.

On an unaudited cash basis of accounting, the city ended fiscal 2016 with a 4.4% surplus in the general fund (adjusted for one-time capital expenditures and transfers). Officials attribute the positive financial performance to conservative budgeting, which the city has done historically.

The fiscal 2017 budget totals \$10.6 million, using \$1.1 million of fund balance appropriation to balance the budget. Officials report that through the first two and a half months, everything is coming in as anticipated. If all goes as expected for the remainder of the year, officials are expecting a small general fund surplus at year-end.

Wyoming has shown a reliance on income taxes, which made up 56% of general fund revenue in fiscal 2015, while

property taxes, the second-largest revenue source, made up 26.3%. The city's income tax receipts have increased in each year since 2014. Furthermore, city council increased the income tax rate to 1.0% from 0.8%, which became effective Jan. 1, 2015. Under Ohio law, the rate cannot be raised above 1% without voter approval. Officials report there are currently no plans to further increase taxes in the future. Given the positive revenue trends and conservative budgeting practices, we believe the city will maintain strong budgetary performance during the next several years.

Very strong budgetary flexibility

Wyoming's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2015 of 45% of operating expenditures, or \$4.3 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 \$2.4 million (25.2% of expenditures) in the general fund and \$1.9 million (20%) that is outside the general fund but legally available for operations.

Fiscal 2015 available reserves include \$2.4 million in the general fund, and \$1.9 million in the equipment replacement fund. The equipment replacement fund is funded with transfers from the general fund, so we understand these reserves can be used to support general operations if necessary. The amount of reserves in the equipment replacement fund has been adjusted for interfund receivables.

On an unaudited cash basis of accounting, the city added \$417,628 to general fund balance in fiscal 2016, after transferring out \$2.9 million from the general fund, mostly to the capital improvement fund. Officials increased the transfer out to be proactive to help cover future capital projects that may arise. Also, the city's fund balance measured on an accrual basis of accounting has historically been stronger than that measured on a cash basis. Because the city has no plans to use reserves in fiscal 2017, we believe the available fund balance will remain greater than 30% of expenditures.

Very strong liquidity

In our opinion, Wyoming's liquidity is very strong, with total government available cash at 47.6% of total governmental fund expenditures and 4.5x governmental debt service in 2015. In our view, the city has strong access to external liquidity if necessary.

The city had \$5.1 million in available cash and equivalents at the end of 2015. This excludes cash in its enterprise funds, which is not available for short-term borrowing. We believe the city has strong access to external liquidity, because it has issued debt within the past 20 years, demonstrating access to the capital markets. Based on projections, we believe it will maintain very strong liquidity for the foreseeable future. Wyoming does not have any direct-purchase debt outstanding.

Adequate debt and contingent liability profile

In our view, Wyoming's debt and contingent liability profile is adequate. Total governmental fund debt service is 10.5% of total governmental fund expenditures, and net direct debt is 88.0% of total governmental fund revenue. Approximately 83.4% of the direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor.

All of Wyoming's debt is fixed rate to maturity. A portion of the city's GO-backed debt is self-supporting with revenue

from the city's waterworks fund, and therefore is not included in its direct debt. We understand that the city currently has no plans to issue additional debt for at least the next two years and most likely well beyond that time.

Wyoming's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 5.7% of total governmental fund expenditures in 2015. The city made its full annual required pension contribution in 2015.

Eligible city employees participate in either the Ohio Public Employees Retirement System (72.2% funded) or the Ohio Police and Fire Pension Fund (86.45% funded), both multiemployer, cost-sharing state retirement systems. The combined pension liability totals \$5.1 million. Employees participate in a choice of a defined-benefit, defined-contribution, or combined plan. We do not view the city's pension and OPEB obligations as a budgetary pressure.

Strong institutional framework

The institutional framework score for Ohio cities is strong.

Outlook

The stable outlook reflects our anticipation that Wyoming will maintain its very strong budgetary flexibility and liquidity, supported by very strong management policies and practices. We do not expect to change the ratings during the two-year outlook time frame. If the city's budgetary performance were to deteriorate for a sustained period, leading to a significant reduction in its budgetary flexibility or liquidity, we could lower the ratings. We could also consider lowering the rating if economic indicators fell below levels we consider very strong.

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

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.

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