

RatingsDirect®

Summary:

Snoqualmie, Washington; General Obligation

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Credit Profile

Snoqualmie ltd tax GO bnds ser 2011 due 12/01/2030

Long Term Rating

AA+/Stable

Upgraded

Snoqualmie GO

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) to 'AA+' from 'AA-' on Snoqualmie, Wash.'s unlimited-tax general obligation (GO) and limited-tax GO bonds outstanding based on the application of our local GO criteria released in September 2013. The outlook is stable.

The unlimited-tax GO bonds are a full faith and credit obligation of the city and are secured by an unlimited ad valorem property tax pledge. The LTGO bonds are full faith, credit, and resources obligations of the city, including an ad valorem property tax pledge within statutory and constitutional restrictions.

Very strong economy

In our opinion, Snoqualmie's local economy is very strong with per capita market value and projected per capita effective buying income at roughly \$159,500 and 188% of the national average, respectively. King County's unemployment rate in 2013 was 5.2%. We believe residents benefit from participation in the broad and diverse Seattle-Tacoma-Bellevue Metropolitan Statistical Area, which we view as a credit strength.

Very strong management

We consider Snoqualmie's management conditions to be very strong with strong financial practices under our Financial Management Assessment methodology, indicating that practices are strong, well embedded, and likely sustainable.

Weak budgetary performance

We view Snoqualmie's budgetary performance to be weak overall, with a surplus of 1.5% for the general fund and a deficit of 7.1% for the total governmental funds in fiscal 2012. Based on the current year's budgetary figures, we believe that the issuer's general fund performance will deteriorate due to additional spending on new staff positions and interfund loans and transfers for capital projects.

Strong budgetary flexibility

We believe Snoqualmie's budgetary flexibility is strong with available reserves at 39.9% of operating expenditures in fiscal 2012 on a cash accounting basis. Unaudited 2013 general fund ending reserves were \$4.7 million, or 39.1% of expenditures.

Very strong liquidity

In our view, very strong liquidity supports Snoqualmie's finances, with total government available cash to government fund expenditures and cash to debt service at 72% and 9.8x, respectively. Based on past issuance of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.

Very strong debt and contingent liabilities

We view Snoqualmie's debt and contingent liabilities profile as very strong. Total governmental fund debt service is 7.3% of total governmental fund expenditures, and net direct debt is 37.9% of total governmental fund revenue. Approximately 75% of the debt is repaid over 10 years. The city contributes to both the State Public Employees' Retirement System (PERS) and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). In 2013, the city contributed 100% of its annual required pension contribution of \$499,000 to the two systems. The annual pension and other postemployment benefit (OPEB) costs accounted for 3% of the total government expenditures in fiscal 2013 based on unaudited figures.

Adequate institutional framework

The institutional framework score for Washington cities is adequate. See the Institutional Framework score for Washington.

Outlook

The stable outlook reflects our expectations that the city will continue to maintain very strong reserves despite budgeted draw downs in the current year. The outlook also reflects our expectations that the strong local economy with access to the Seattle metropolitan area will sustain high income and wealth levels in the city. We do not expect to raise our rating during the two-year timeframe of the outlook due to the planned drawdowns and the city's use of cash accounting for financial reporting. However, we could lower the rating if significant operational deficits lead to a weaker 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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