

RatingsDirect®

Summary:

Bixby, Oklahoma; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

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Credit Profile

US\$1.28 mil GO rfdg bnds ser 2013 dtd 11/01/2013 due 11/01/2019

Long Term Rating AA+/Stable New

Bixby GO

Long Term Rating AA+/Stable Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on Bixby, Okla.'s 2013 general obligation (GO) refunding bonds to 'AA+' from 'AA' based on our recently released local GO criteria. The outlook is stable.

A pledge of the city's full faith credit to levy ad valorem property taxes without limitation as to rate or amount secure these bonds.

The rating reflects our assessment of the following factors for the city:

- Strong economy, which benefits from participation in the broad and diverse Tulsa economy;
- Very strong budgetary flexibility with 2012 audited reserves at 55% of general fund expenditures;
- Very strong budgetary performance, which takes into account a revenue stream we consider volatile;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Adequate management, with standard financial policies but a consistent ability to maintain balanced budgets; and
- Strong debt and contingent liabilities position, mostly reflecting the city's low net direct debt.

Strong economy

We consider Bixby's economy strong with access to the broad and diverse economy of Tulsa, 15 miles away. Traditionally, county unemployment has tracked below that of the state and the nation at about 5.5% for July 2013; however, the city has per-capita incomes we consider strong, reflecting the ability of some residents to access jobs in the neighboring areas. The city has projected per-capita effective buying income of 119.9% of the U.S. Per-capita market value for the city was \$88,335 for fiscal 2013. Assessed value (AV) increased by an average rate of 3.6% annual between fiscal years 2010 and 2014, reflecting an increase in city home prices.

Very strong budget flexibility

In our opinion, the city's budgetary flexibility remains very strong, with reserves above 30% of expenditures for the past several years and no plans to significantly spend them down. The city anticipates reserves for 2013 will be at 65% of expenditures, up from 2012 levels of 61%. For audited fiscal 2012, reserves were \$3.9 million or 61.2% of expenditures. The city carries high reserves, given its heavy reliance on sales tax revenues.

Very strong budgetary performance

The city's budgetary performance has been very strong overall, in our view, with a surplus of 11.8% for the general

fund in fiscal 2012 and a surplus after netting out capital outlay funded from previously issued bonds of 9.8% for total governmental funds and exposure to a volatile revenue stream. Over 56% of the city's revenues are from sales taxes, and this has caused some revenue uncertainty for the city, especially during the recent economic downturn (when it experienced a 7.5% decline in fiscal 2010 from fiscal 2009). Bixby is projecting another surplus for fiscal 2013. It often budgets conservatively and based on worst-case scenarios. At this time, based on the city's historic budget-to-actual performance, we do not anticipate a change in our assessment of its general fund performance. Sales taxes decreased by 9.5% in 2010, but have recovered to all-time highs at 8.2% in fiscal 2013. We expect sales taxes will remain at least level, and with property taxes continuing to grow, the city will be in a good position to maintain at least strong performance.

Very strong liquidity

Supporting Bixby's finances is liquidity we consider very strong, with total government available cash above 72% of both total governmental fund expenditures and debt service. We believe the city has exceptional access to external liquidity. It has issued bonds frequently during the past 10 years, mainly GO bonds, revenue bonds, and state revolving fund notes.

Adequate management conditions

We view the city's management conditions as adequate, with standard financial practices combined with a consistent ability to maintain balanced budgets. Management works closely with the assessor to forecast AV growth. Management provides the board with quarterly reports on its budget to actuals. However, the city does not use long-term financial or capital planning or a debt management policy. However, it does maintain a reserve policy to protect itself from fluctuating revenues, but this policy is not well defined. The city has consistently maintained balanced operations despite its fluctuating revenues and responded quickly in the last downturn to reduce its discretionary spending when revenues decreased.

Strong debt and contingent liability profile

The city has extremely rapid amortization of debt, with over 90.7% of debt retired over 10 years. Overall net debt at 1.4% of true value is also low. In our opinion, the city's debt and contingent liability profile is very strong, with total governmental fund debt service at 23.8% of total governmental fund expenditures, and with net direct debt at 28.4% of total governmental fund revenue and not slated to rise. The city does have self-supporting debt and has used bonds to upgrade and modernize its infrastructure.

Bixby participates in four Oklahoma Retirement System, one for firefighters, one for police, one for city employees, and one for the city manager. The combined annual required contribution in fiscal 2012 was \$632,615 and was 3.3% of fiscal 2012 total governmental expenditures. The city does not offer other postemployment benefits.

Strong institutional framework

We consider the institutional framework score for Oklahoma cities with populations over 2,500 as strong. (See the Institutional Framework score for Oklahoma.)

Outlook

The stable outlook reflects our view of Bixby's consistent financial performance and the strong economy, which is supported by adequate management. Should management develop, institute, and adhere to long-term capital planning and develop well-reasoned reserve policies, we are likely to raise the rating. Outside of this, we do not expect to revise the rating in the next two years because we believe the city will maintain very strong reserves and continue to participate in the broad and diverse Tulsa metropolitan area.

Related Criteria And Research

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Location, Location, Location: What Does It Mean For My Community's Rating?, April 22, 2008
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Oklahoma Local Governments

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