

# RatingsDirect®

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## Summary:

# Erie, Colorado; Appropriations; General Obligation

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## Summary:

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### Credit Profile

US\$24.485 mil certs of part rmktd 12/01/2014 ser 2010 due 11/01/2040

*Long Term Rating*

AA/Stable

New

## Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating, and stable outlook, to Erie, Colo.'s adjustable rate certificates Of participation, series 2010. The certificates represent assignments of the right to receive certain revenues pursuant to a lease purchase agreement dated as of Oct. 1, 2010, between Town of Erie Finance Corp., as lessor, and Town Of Erie, as lessee. Standard & Poor's also affirmed its 'AA+' rating, with a stable outlook, on the town's general obligation (GO) bonds outstanding. The rating is based on the local GO criteria released Sept. 12, 2013.

The series 2010 bonds are being remarketed as fixed rate securities and are payable from revenue received by the Town of Erie Finance Corp., which consists of base rental payments made by the Town of Erie, under the master lease.

The bonds are being issued by the Town of Erie Finance Corp. Under a lease, the Town of Erie (as lessee) will make base rental payments to the Town of Erie Finance Corp. (as lessor). Under the lease, the town has agreed to budget and appropriate annual lease payments. Lease payments are without right of set-offs or abatement, and the town is responsible for the taxes if any, of the leased property. As of the conversion date, the leased property will consist of Colorado-Big Thompson Project (CBT) units. Each unit represents the right to use a portion of certain water rights in the CBT project pursuant to the rules and regulations of the Northern Colorado Water Conservancy District. These rights are transferable and for the life of the bonds.

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

- Very strong economy, with projected per capita effective buying income as a percent of the U.S. at 136% and per capita market value of \$111,000. Boulder County's 2014 unemployment rate was 6.2%, which was the same as the state's and slightly below the nation's.
- In our opinion, Erie's budgetary flexibility is very strong, with reserves at about 49% of expenditures for fiscal 2013. Reserves for 2014 are projected to be \$8.1 million, or 54% of expenditures, which we consider to be very strong.
- The town's budgetary performance, in our view, has been strong overall, with a surplus of 4.7% for the general fund in fiscal 2013. Fiscal 2014 projections indicate a general fund deficit of approximately \$812,000, or 5.4% of expenditures.
- Supporting the town's finances is what we consider to be very strong liquidity, with total government available cash as a percent of total governmental fund expenditures at 308% and as a percent of debt service at above 100%. We believe Erie has strong access to external liquidity.
- We view the town's management conditions as strong with good practices.
- In our opinion, Erie's debt and contingent liabilities profile is weak, with total governmental funds debt service as a

percent of total governmental funds expenditures at 9.9% and with net direct debt as a percent of total government revenues at 110%.

- Erie provides pension contributions to several different plans for police officers. The annual Fire and Police Pension Assn. pension cost in fiscal 2013 was \$116,331. The town also has a non-police defined contribution plan, and in fiscal 2013 contributed \$220,149.
- We consider the Institutional Framework score for Colorado towns as strong. See "Institutional Framework Overview: Colorado Local Governments."

## Outlook

The stable outlook reflects Erie's good growth and very strong incomes. We expect that the town's financial policies and strong general fund balances will help it weather any potential slowdown in revenue growth during the next two years. A higher rating is precluded by the town's somewhat moderate tax rate and volatility of sales tax revenues. Should deficit spending continue beyond 2014, we could lower the rating.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

### Related Research

Institutional Framework Overview: Colorado Local Governments

### Ratings Detail (As Of November 3, 2014)

Erie GO rfdg bnds ser 2013

*Long Term Rating*

AA+/Stable

Affirmed

#### **Erie GO**

*Unenhanced Rating*

AA+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

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