

RatingsDirect®

Summary:

Phenix City, Alabama; General Obligation; General Obligation Equivalent Security

Primary Credit Analyst:

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Summary:

Phenix City, Alabama; General Obligation; General Obligation Equivalent Security

Credit Profile

US\$5.115 mil GO Warrants ser 2015-A due 02/01/2027

Long Term Rating

AA-/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' long-term rating to Phenix City, Ala.'s series 2015A general obligation (GO) warrants. At the same time, we affirmed our 'AA-' long-term rating and underlying rating (SPUR) on the city's previously issued GO debt. The outlook is stable.

The rating reflects our assessment of the city's:

- Weak economy, albeit aided by its participation in the Columbus, Ga., metropolitan statistical area (MSA), anchored by Fort Benning and a Kia Motors automotive plant;
- Strong management;
- Very strong budgetary flexibility demonstrated by high reserve levels;
- Strong budgetary performance; and
- Very strong liquidity profile.

Partly offsetting the above strengths, in our view, is the city's very weak debt and contingent liability profile.

The city's full faith and credit secure its debt. Officials will use warrant proceeds to make various city capital improvements, namely communications systems, and to refund a portion of the city's existing debt for savings.

Weak economy

We consider Phenix City's local economy weak with per capita market value about \$39,300 and projected per capita effective buying income at 66% of the national average. The city serves as Russell County's economic center, and is located on the Chattahoochee River, directly across from Columbus, Ga., and the main portion of the Fort Benning military base. According to the U.S. Bureau of Labor Statistics, the unemployment rate in the county was 7.2% last year. We consider participation in the broad and diverse Auburn-Opelika-Columbus metropolitan statistical area MSA a credit strength.

Strong management

In our opinion, Phenix City's management conditions are strong with "good" financial practices under our financial management assessment (FMA) methodology, indicating our view that financial practices exist in most areas but that governance officials might not formalize or monitor all of them on a regular basis. Strengths include strong revenue and expenditure assumptions in the budgeting process, strong oversight in terms of monitoring progress against the budget during the year, and a long-term capital plan.

Very strong budgetary flexibility

Phenix City's budgetary flexibility is very strong, in our opinion, with available reserves at 28% of operating expenditures in fiscal 2013. Officials anticipate ending fiscal 2014 with an available general fund balance of more than \$7.7 million, or about 25% of expenditures. Management is projecting to maintain similar reserves for fiscal 2015.

Very strong liquidity

What we consider very strong liquidity supports Phenix City's finances, with total government available cash at 37% of government fund expenditures and cash at 2.5x debt service. Based on past issuance of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.

Strong budgetary performance

In our opinion, Phenix City's budgetary performance is strong with surpluses of 7.7% for the general fund and 3.6% for the total governmental funds in fiscal 2013. Officials are projecting to end the year with a 2.9% general fund operational deficit in fiscal 2014 followed by an operational surplus of less than 1.0% for fiscal 2015. As with most Alabama cities, a majority of the city's revenue comes from sales taxes (61% of general fund revenue). Licenses and permits (17%), charges for services (8%), and property taxes (5%) are the city's other primary revenue sources. Officials report that sales tax revenue has been stable and has increased by slightly more than 2% during the past three years. Management reports that the bulk of the city's sales tax revenue derives from big box commercial retailers that market necessity goods. Consequently, the city's sales tax revenue trends are less susceptible to major swings.

Very weak debt and contingent liabilities

Phenix City's debt and contingent liability profile is very weak, in our opinion. The city's debt burden is high at 9.7% of market value. Total governmental fund debt service is 14.5% of total governmental funds expenditures and net direct debt is 341.8% of total governmental funds revenue. Last year Phenix City fulfilled its annual required pension contribution. The annual pension and other postemployment benefit costs accounted for 4% of total government expenditures in fiscal 2013. Officials have no medium-term debt plans.

Strong institutional framework

The Institutional Framework score for Alabama cities and towns is strong.

Outlook

The stable outlook reflects our anticipation that the city will maintain its very strong budgetary flexibility and very strong liquidity position, negating the effects of the very weak debt and contingent liability profile. We could lower the rating during our two-year outlook horizon in the unlikely event that a significant decline in reserves deteriorates the city's budgetary flexibility. Conversely, we could raise the rating in the unlikely event that the city's debt and contingent liability profile were to improve significantly through lower carrying charges and/or a reduction in the city's debt burden coupled with a broadening of the economic base.

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: Alabama Local Governments

Ratings Detail (As Of March 16, 2015)

Phenix City GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Phenix City GO sch warrants ser 2014A due 08/01/2033		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Phenix City GO (AGM)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Phenix City GO (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Phenix City GO		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
The Pub Bldg Auth of the City of Phenix City, Alabama		
Phenix City, Alabama		
The Pub Bldg Auth of the City of Phenix City (Phenix City Municipal Projs) (AGM)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.



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reference no.: 1384007

March 14, 2015

City of Phenix City
601 12th Street
Phenix City, AL 36867
Attention: Mr. Stephen C. Smith, Director of Finance

*Re: US\$5,115,000 City of Phenix City, Alabama, General Obligation Warrants, Series 2015-A,
dated: Date of delivery, due: February 1, 2027*

Dear Mr. Smith:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "AA-". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

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Please send hard copies to:

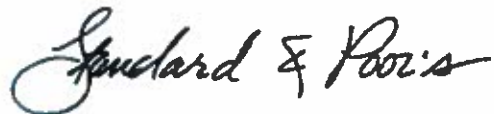
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street

New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

The logo for Standard & Poor's, featuring the company name in a stylized, cursive script font.

Standard & Poor's Ratings Services

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cc: Mr. Andy Waid, Director of Finance
Frazer Lanier Company Incorporated