

Rating Action: Moody's Assigns Aa2 to Indianapolis (IN) Local Public Improvement Bond Bank Refunding Bonds, Ser. 2017C

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New York, December 13, 2017 -- Moody's Investors Service has assigned a Aa2 rating to \$159.5 million Indianapolis Local Public Improvement Bond Bank Bonds (IN), Series 2017C (PILOT Infrastructure Project). Moody's maintains the Aaa rating on Indianapolis-Marion County (the city), IN's outstanding general obligation (GO) debt. Following the sale, the city will have \$148 million of outstanding GO debt and \$160 million of total outstanding moral obligation (MO) debt issued for more essential purposes, including the current bonds.

RATINGS RATIONALE

The Aaa GO rating reflects a diverse economy, improved financial position and moderate pension liabilities. These attributes are balanced against challenges that include weak resident income indices, a restrictive revenue raising environment and high debt levels.

The Aa2 rating on \$159.5 million of Refunding Bonds, Series 2017C (PILOT Infrastructure Project) reflects the credit characteristics inherent in the city's GO rating. The MO rating on the current bonds is notched twice from the city's GO rating, reflecting the city's MO pledge to consider appropriating to replenish the debt service reserve (DSR), the risk of non-appropriation, and the more essential nature of the financed assets (wastewater system infrastructure improvements). The outlook on all ratings is negative.

RATING OUTLOOK

The negative outlook reflects weak resident income indices and a restrictive revenue-raising environment, both of which will challenge the city to grow revenues that keep pace with ongoing cost growth, particularly in the areas of public safety, capital maintenance, debt service, and pensions.

FACTORS THAT COULD LEAD TO AN UPGRADE

Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

Material declines in tax base valuation or resident income indices

Declines in the general fund balance or general fund net cash position in the next 12 or 24 months

Fluctuations in, or disruptions in the receipt of, property tax or income tax revenues

Increases in debt levels or increases in fixed costs associated with debt service or pensions in the next 12 or 24 months

LEGAL SECURITY

The Refunding Bonds Series 2017C are secured by payments in lieu of taxes (PILOT) from the Citizens Wastewater Authority (CWA Authority, Inc; A2 positive) and the city's MO pledge to consider appropriating monies to replenish the DSR to the minimum reserve requirement if necessary. On or before December 1 of the year prior to the fiscal year in which a deficit is projected, or within 90 days of such projection, whichever is earlier, the Chairman of the Indianapolis Bond Bank is required to notify the City-County Council of the sum, if any, required to restore the DSR to the minimum reserve requirement. Upon notification by the Chairman, the City-County Council will review the appropriation request.

USE OF PROCEEDS

Proceeds of the Refunding Bonds Series 2017C will advance refund the city's outstanding Series 2010F PILOT Infrastructure Revenue Bonds for savings. The Series 2010F bonds financed various infrastructure improvements.

PROFILE

The City of Indianapolis is the largest city in the state and the 15th largest city in the nation with an estimated population of 864,771. On January 1, 1970, the governments of Marion County and the City of Indianapolis were unified and their services consolidated. Four municipalities (Beech Grove, Lawrence, Speedway (A1), and Southport) were specifically excluded from the consolidated government. The city is located at the geographic center of the state and encompasses a land area of 402 square miles.

METHODOLOGY

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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