

RatingsDirect®

Summary:

Grand Junction, Colorado; Appropriations; General Obligation; Sales Tax

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Summary:

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Credit Profile

US\$66.49 mil General fund rev bnds ser 2024 due 03/01/2054

<i>Long Term Rating</i>	AA/Stable	New
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Grand Junction SALESTAX

<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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Grand Junction gen fund rev imp bnds (Transp Proj)

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Grand Junction rfdg certs of part

<i>Long Term Rating</i>	AA-/Stable	Affirmed
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Grand Junction taxable gen fund rev rfdg bnds

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Grand Junction Public Finance Corp., Colorado

Grand Junction, Colorado

Grand Junction Pub Fin Corp (Grand Junction) certs of part (Grand Junction) ser 2021 due 12/01/2045

<i>Long Term Rating</i>	AA-/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Grand Junction, Colo.'s anticipated \$66.5 million series 2024 general fund revenue bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term and underlying rating (SPUR) on the city's general fund revenue debt outstanding.
- Lastly, we affirmed our 'AA-' long-term rating on the city's certificates of participation (COPs) outstanding.
- The outlook is stable.

Security

The general fund revenue bonds are secured by the city's 2.75% sales and use tax and all other legally available money deposited into the general fund. Our rating is based on the application of our "Issue Credit Ratings Linked To U.S. Public Finance Obligor's Creditworthiness" criteria, published Nov. 20, 2019. The pledged sales and use tax revenue flows primarily through the general fund and makes up the majority of the city's operating revenue. Therefore, we rate the bonds to be on par with our view of the obligor's general creditworthiness, as we view general fund pledges as general operating pledges and consider them inseparable from operations. The fungibility of resources and the ability to manage those resources support our view of the obligor's ability and willingness to pay.

The existing COPs represent an interest in the city's base rental payments made by the city, as lessee, to the Grand Junction Public Finance Corp., as lessor. Under the lease-purchase agreement, the obligation of the city to pay base rent during the lease term is absolute and unconditional and shall not be abated or offset for any reason related to the leased property. We rate these obligations one notch lower than the city's general creditworthiness to reflect our view of the risk of nonappropriation inherent to the lease structure.

Proceeds from the bonds will finance the majority of the construction costs of a voter-approved community recreation center.

Credit overview

Grand Junction benefits from its function as a regional economic center along Interstate-70 within Colorado's Western Slope with economic growth prospects that are underscored by a robust development pipeline, relatively affordable housing stock, and population growth. Proactive efforts from city management continue to spur economic development and diversification of the local economy, fueling expansion of its revenue base to support fiscal stability. The city has historically maintained a strong financial position, with ample reserves and liquidity to support stable community services while also mitigating the risk of potential volatility tied to its leading source of revenue (sales taxes).

Adding to the city's credit strength is its strong financial management framework resulting in stable operating performance, ensuring the preservation of a very strong reserve and liquidity position. This is further reinforced by the city's fiscal 2023 unaudited figures, which project a \$3.4 million net operating surplus, increasing the city's available reserves to \$37.1 million or 39% of operating expenditures. Grand Junction's preference to cash fund capital outlay due to the dedicated nature of some its revenue streams has tempered the need for significant debt financing as reflected in the city's low fixed cost profile. Lastly, with limited fiscal pressure from pension and other postemployment benefits (OPEB), we assess the city has the flexibility to maintain budgetary balance in the near term.

The rating further reflects our view of the city's:

- Position as the economic anchor for Colorado's Western Slope that continues to experience strong economic growth diversification. Ongoing economic activity has translated to property wealth levels that are in line with those of higher-rated peers with income indicators lagging below those of similarly rated peers;
- Stable and conservative management team, with good policies and practices, including realistic revenue and expenditure assumptions based on internal trend analysis with the assistance of outside resources, routine budget and investment monitoring, with formal updates to council. Other highlights include multiyear financial forecasting, long-term capital improvement plan with projects identified, and a minimum reserve requirement for its general fund of between 20% and 25% of expenditures with a replenishment trigger;
- Conservative fiscal framework inclusive of financial restraint and expanding operating revenue sources (sales taxes, 64%, and property taxes, 11%) that continue to support Grand Junction's strong financial profile and robust reserve position that we expect the city will maintain in the near term;
- Manageable debt burden support by minimal debt service costs given the city's preference to cash fund capital outlay and strong support from several dedicated revenue streams. The city does not anticipate issuing tax secured debt in the near term;

- We do not view pension and OPEB as an immediate source of credit pressure for Grand Junction as the majority of the city's employees receive only defined contribution benefits and the remaining defined benefit plans account for a relatively small portion of the city's budget; and
- Strong institutional framework score.

Environmental, social, and governance

Grand Junction is exposed to natural capital risks related to water scarcity stemming from drought conditions, which could depress the area's long-term economic growth. The city is also exposed to acute physical risks related to wildfires and flooding that, if realized, could affect operating revenues, or lead to unanticipated costs. Consistent snowpack melt ensures Kannah Creek continues to provide the city with adequate water supply. We also note that the Ute Water Conservancy District maintains a detailed water resource plan, which identifies infrastructure improvements and conservation plans, as well as permanent, temporary, and future resources to address water demand, that is helping mitigate water scarcity. We consider the city's social and governance factors to be neutral within our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the city's financial profile will remain strong, supported by the city's well-embedded financial policies and practices. The outlook also reflects our expectation that Grand Junction's local economy will continue to trend positively, with ongoing development supporting economic diversification and growth in the city's core revenues.

Downside scenario

We could lower the rating if finances deteriorate materially to levels that are no longer comparable with those of similarly rated peers.

Upside scenario

All else equal, we could raise the rating if the city's economy continues to expand and diversify, resulting in wealth and income metrics comparable with those of higher-rated peers.

Grand Junction, Colo.--key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
Strong economy				
Projected per capita EBI % of U.S.	87.5			
Market value per capita (\$)	179,164			
Population		67,370	66,741	66,355
County unemployment rate(%)		3.4		
Market value (\$000)	12,070,299	9,905,828	9,653,209	
Ten largest taxpayers % of taxable value	6.8			
Strong budgetary performance				
Operating fund result % of expenditures		1.8	2.6	4.2

Grand Junction, Colo.--key credit metrics (cont.)				
	Most recent	Historical information		
		2022	2021	2020
Total governmental fund result % of expenditures		1.0	8.9	4.5
Very strong budgetary flexibility				
Available reserves % of operating expenditures		36.5	24.8	36.6
Total available reserves (\$000)		33,686	21,740	29,041
Very strong liquidity				
Total government cash % of governmental fund expenditures		59.8	72.2	48.6
Total government cash % of governmental fund debt service		1,041.7	1,094.1	741.7
Strong management				
Financial Management Assessment	Good			
Adequate debt and long-term liabilities				
Debt service % of governmental fund expenditures		5.7	6.6	6.6
Net direct debt % of governmental fund revenue	122.7			
Overall net debt % of market value	2.5			
Direct debt 10-year amortization (%)	28.7			
Required pension contribution % of governmental fund expenditures	1.3			
OPEB actual contribution % of governmental fund expenditures	0.0			
Strong institutional framework				

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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