

RatingsDirect®

Summary:

Juneau, Alaska; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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Credit Profile		
US\$6.375 mil fixed rate GO bonds ser 2023 dtd 05/18/2023 due 12/01/2028		
Long Term Rating	AA+/Stable	New
Juneau GO bonds ser 2021 due 06/01/2036		
Long Term Rating	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to Juneau, Alaska's roughly \$6.375 million series 2023 general obligation (GO) bonds.
- S&P Global Ratings also affirmed its 'AA+' rating on the city and borough's existing GO debt.
- The outlook is stable.

Security

Juneau's full-faith-and-credit-and-taxing power, with revenue generated from ad valorem taxes levied without limitation as to rate or amount on all taxable property within the city and borough, secures the bonds.

Officials intend to use series 2023 bond proceeds to finance park improvements.

Credit overview

COVID-19 hit Juneau, the state capital, hard because it is largely a tourist-driven local economy with more than one million visitors annually, most arriving by cruise ship. Post COVID-19, officials expect record high tourism and cruise traffic in 2023. In addition, beyond tourism, mining, fishing, and retail anchor the local economy. Juneau's housing market is strong. Assessed value continues to increase, but population remains relatively stable. Property taxes generate 31% of general fund revenue and sales taxes generate 30%, which outpaced projections in fiscal 2022 after sales taxes experienced two years of decreases due to COVID-19.

Unadjusted net operating results have fluctuated recently with a significant general fund reserve drawdown in fiscal 2022 and another forecast for fiscal 2024 for capital projects and a transfer into the restricted fund. Management largely attributes volatility to the receipt of onetime COVID-19-related revenue and spending reserves during subsequent years. Following the fiscal 2024 drawdown, officials expect stable operating results. While S&P Global Ratings continues to forecast a shallow recession that could pressure short- and medium-term investment and economic growth, we expect long-term economic trajectory will likely remain stable because Juneau has shown resilience to navigate uncertainty and because it rebounded post-COVID-19. (For the second-quarter 2023 economic outlook, see "Still Resilient, Downside Risks Rise," published March 27, 2023, on RatingsDirect.) Year-to-date sales taxes are \$7 million higher than budgeted, and officials are projecting a surplus at fiscal year-end 2023.

While debt is manageable, Juneau expects it will eventually need additional issuances as it experiences growth. Most direct debt (67%) is privately placed through Alaska Municipal Bond Bank; we do not view this as a contingent-liquidity risk because there are no unusual events of default that could pressure liquidity.

The rating reflects our view of Juneau's:

- Strong local economy centered on tourism that rebounded post-COVID-19;
- Strong management with good financial-management policies, practices under our Financial Management Assessment (FMA) methodology--highlighted by budgetary planning and analysis using historical trends and outside information, as well as a rolling five-year capital-improvement plan--and a strong Institutional Framework score;
- Fluctuating unadjusted net results due to capital spending, but primary revenue sources (sales and property taxes) have outperformed projections, with a surplus expected in fiscal 2023;
- Very strong available reserves that decreased from the last review but should remain above the reserve policy of maintaining two months' budgeted expenditures in the general and sales tax funds; and
- Manageable debt with most debt privately placed, with no immediate additional plans to issue debt during the next few years and pension and other postemployment benefit liabilities that represent a relatively small portion of total governmental expenditures.

Environmental, social, and governance

We have assessed environmental and governance risks; we view both as neutral in our analysis. However, we note avalanches are the greatest environmental threat, which Juneau closely monitors; there have been no recent occurrences. We view social risk as elevated due to its reliance on tourism, which was subject to a sharp decrease in visitors and consumer-spending disruptions that greatly affected operating revenue during COVID-19.

Outlook

The stable outlook reflects S&P Global Ratings' view of Juneau's rebounded tourism sector increasing revenue, coupled with manageable debt and the maintenance of very strong reserves.

Downside scenario

We could lower the rating if we see evidence that a pattern of operating deficits we think is likely to continue has developed, particularly if it leads to available reserves decreasing below Juneau's reserve policy.

Upside scenario

We could raise the rating if reserves were to grow to a level we think would be sufficient to offset exposure to potentially volatile sales tax revenue during evolving macroeconomic conditions and if the local economy were to continue to expand.

Juneau, Alaska select key credit metrics

	Most recent	--Historical information--		
		2022	2021	2020
Strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	134.2			
Market value per capita (\$)	180,370			
Population			31,866	32,120
County unemployment rate(%)			4.7	
Market value (\$000)	5,747,659	5,420,224	5,117,034	
10 largest taxpayers as a % of taxable value	11.6			
Adequate budgetary performance				
Operating fund result as a % of expenditures		8.8	0.6	11.9
Total governmental fund result as a % of expenditures		(4.6)	(11.9)	(2.1)
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		27.7	41.0	40.4
Total available reserves (\$000)		31,906	46,127	40,606
Very strong liquidity				
Total government cash as a % of governmental fund expenditures		80.5	59.9	56.4
Total government cash as a % of governmental fund debt service		799.3	546.9	533.5
Strong management				
Financial Management Assessment	Good			
Very strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		10.1	11.0	10.6
Net direct debt as a % of governmental fund revenue	29.5			
Overall net debt as a % of market value	0.9			
Direct debt 10-year amortization (%)	68.9			
Required pension contribution as a % of governmental fund expenditures		8.0		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		1.7		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2022 Update Of Institutional Framework For U.S. Local Governments

- 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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