

**COMMON COUNCIL
Agenda Request Form**

(Form B-01-2012)

Organizations and individuals are asked to submit a request form and supporting documents to be placed on the agenda. You will be contacted by the City confirming the date of the meeting in which your request will be heard. Please make sure that your contact information is accurate in case we need to get in touch with you. The Common Council meets on the 1st and 3rd Monday of each month at 6:30 p.m. in City Hall located at 70 E. Monroe Street.

Date Submitted:	04/01/14	Meeting Date:	04/07/14
Contact Information:			
Requested by:	Clerk-Treasurer Janet P. Alexander		
On Behalf of Organization or Individual:		City of Franklin	
Telephone:	317-736-3609		
Email address:	jalexander@franklin.in.gov		
Mailing Address:	70 E. Monroe Street		
Describe Request:			
Report on Standard & Poor's Rating Upgrade			
List Supporting Documentation Provided:			
Memo			
Standard & Poor's Letter			
Who will present the request?			
Name:	Janet P. Alexander	Telephone:	317-736-3609

In order for an individual and/or agency to be considered for new business on the Common Council agenda, this reservation form and supporting documents must be received in the Mayor's office no later than 4:00 p.m. on the Wednesday before the meeting.

MEMORANDUM

DATE: Wednesday April 2, 2014
TO: Council President Steve Barnett & the Common Council
FROM: Clerk Treasurer Janet P. Alexander
RE: City of Franklin General Obligation Bonds – Rating Upgrade

In December I was notified that Standard & Poor's was conducting a review of our financials. On March 4, 2014 we were notified that they upgraded our credit rating from A+ to AA.

Agency publications state the following definitions for their ratings.

- 'AAA' Extremely strong capacity to meet financial commitments. Highest Rating.
- 'AA' Very strong capacity to meet financial commitments.
- 'A' Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.

Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Please see the attached documents from Standard and Poor's for more information about our credit rating.



130 East Randolph Street
Suite 2900
Chicago, IL 60601
tel 312-233-7000
reference no.: 40304134

March 4, 2014

City of Franklin
70 East Monroe Street
P.O. Box 280
Franklin, IN 46131
Attention: Ms. Janet P. Alexander

Re: *City of Franklin, Indiana, General Obligation Bonds*

Dear Ms. Alexander:

Standard & Poor's Ratings Services ("Ratings Services") has reviewed the rating on the above-listed obligations. Based on our review, we have raised our credit rating from "A+" to "AA" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating 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.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

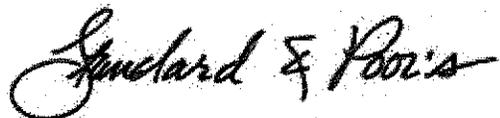
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

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,

A handwritten signature in black ink that reads "Standard & Poor's". The signature is written in a cursive, flowing style.

Standard & Poor's Ratings Services

ah
enclosure

RatingsDirect®

Summary:

Franklin, Indiana; General Obligation

Primary Credit Analyst:

Steffanie A Dyer, Chicago (1) 312-233-7007; steffanie.dyer@standardandpoors.com

Secondary Contact:

Carol A Hendrickson, Chicago (1) 312-233-7062; carol.hendrickson@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Franklin, Indiana; General Obligation

Credit Profile

Franklin GO

Long Term Rating

AA/Stable

Upgraded

Franklin Pk & Recre Dist, Indiana

Franklin, Indiana

Franklin Pk & Recre Dist (Franklin) GO

Long Term Rating

AA/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its long-term rating on Franklin, Ind.'s existing debt issued by the the Franklin Park and Recreation District and the city of Franklin two notches to 'AA' from 'A+', based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

The series 2012 park and recreation district bonds are an obligation of the Franklin Park and Recreation District, a special taxing district, whose tax base is coterminous with the city. Securing both series of bonds is an ad valorem tax levied on all taxable properties in the city. The levy of ad valorem taxes is subject to state circuit-breaker limitations, which place various caps on property tax levies based on a percent of real estate parcels' gross assessed value (AV). Circuit-breaker legislation requires debt service to be fully funded regardless of any reduction in property taxes due to the application of the circuit breaker, and debt service payments are required to be made before tax levies are used for any other purposes.

While the park district has its own taxing ability, it is a department of the city of Franklin, and its board and budget, specifically its ability to levy taxes and issue debt, are ultimately under the city's authority. The city's mayor appoints the district's director and the city council appoints the district's four-member board. District finances are reported as a major governmental fund in the city's financial audits. Given the parental relationship of the district under the city, the 'AA' rating reflects the credit qualities of the city of Franklin.

The rating reflects our assessment of the following factors for the city:

- We consider Franklin's economy adequate, with its projected per capita effective buying income at 75.5% of the U.S. and per capita market value of \$56,280. The city (2010 U.S. Census population: 23,712) is on Interstate 65 in Johnson County, about 20 miles south of Indianapolis. The city benefits from its participation in the broad and diverse Indianapolis-Carmel-Anderson metropolitan statistical area.
- In our opinion, budgetary flexibility remains very strong, with available reserves above 75% of expenditures for the past several years and projected to remain above this level. Available reserves are comprised of the general, rainy day, cumulative capital improvement and the disaster relief funds. The city reports its financial operations on a cash basis of accounting. Based on fiscal 2013 (Dec. 31) unaudited, state submitted reports, available reserves were \$13.5 million, or 101% of general fund expenditures.

- Franklin's budgetary performance has been strong overall, in our view, with a surplus of 3% for the general fund in fiscal 2013 and a slight decrease of 0.4% for total governmental funds. General fund transfers were adjusted to exclude the transfer out to the rainy day fund. Total governmental funds expenditures were adjusted to exclude spending down of bond proceeds. The city projects break-even operations for the general (before transfer out to the rainy day fund) and total governmental funds in fiscal 2014.
- Supporting the city's finances is liquidity we consider very strong, with total government available cash at 145.5% of total governmental funds expenditures and at 7,053% of debt service. We believe the city has strong access to external liquidity.
- We view Franklin's financial management conditions as adequate with "standard" financial practices. We revised the city's Financial Management Assessment (FMA) score to "standard" from "good" due to clarification on the city's budget reporting and long-term capital planning.
- In our opinion, the city's debt and contingent liability profile is very strong, with total governmental funds debt service at 2% of total governmental funds expenditures, and net direct debt at 27% of total governmental funds revenue. Its rapid debt amortization is a credit strength, in our view, with 78% of principal to be retired over 10 years. Currently, the city does not have any future debt plans.
- Franklin contributes to the Indiana Public Employees Retirement Fund and the 1977 Police Officers' and Firefighters' Pension and Disability Fund. In fiscal 2012, the city made its required pension contributions as set by the respective pension boards. The city does not subsidize retiree health care premiums. Pension contributions totaled 8.1% of total governmental funds expenditures.
- We consider the Institutional Framework score for Indiana municipalities as strong.

Outlook

The stable outlook indicates our expectation that Franklin will maintain its balanced operations and very strong liquidity and budgetary flexibility, with its substantial reserves greater than 75%, a positive overriding factor, according to our criteria. Upward rating potential partially depends on an improved economic profile, but we do not expect the city's economy to materially change in the two-year time frame of the outlook. Although unlikely in light of the city's balanced projections, a negative rating action is possible if there are significant draws on reserves or available reserves decrease below 75% of expenditures.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Indiana Local Governments

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.

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

