

# RatingsDirect®

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## Summary:

# Belton, Missouri; Appropriations; General Obligation

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### Credit Profile

US\$19.06 mil rfdg certs of part ser 2017 dtd 05/08/2017 due 03/01/2028		
<i>Long Term Rating</i>	A+/Stable	New
US\$4.345 mil GO rfdg bnnds ser 2017 dtd 05/02/2017 due 03/01/2023		
<i>Long Term Rating</i>	AA-/Stable	New
Belton COPs		
<i>Long Term Rating</i>	A+/Stable	Affirmed

## Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to Belton, Mo.'s series 2017 general obligation (GO) refunding bonds and its 'A+' rating to the series 2017 refunding certificates of participation. The outlook for both ratings is stable.

The GO bonds are secured by the city's full faith and credit, and are payable from unlimited ad valorem property taxes. The certificates are secured by annual lease rental payments payable from legally available funds, subject to annual term renewal. We rate the city's certificates one notch below the GO debt rating to reflect annual appropriation risk. The city will use proceeds from both issues to refund prior debt for savings.

The ratings reflect our assessment of the following factors for the city:

- Weak economy, with projected per capita effective buying income at 83.1% and market value per capita of \$44,115, though that is advantageously gaining from access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under our Financial Management Assessment methodology;
- Adequate budgetary performance, with an operating surplus in the general fund but an operating deficit at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 level of 30% of operating expenditures;
- Very strong liquidity, with total government available cash at 62.9% of total governmental fund expenditures and 2.6x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges at 23.8% of expenditures and net direct debt that is 191.1% of total governmental fund revenue, and high overall net debt at greater than 10% of market value, but rapid amortization, with 69.1% of debt scheduled to be retired in 10 years; and
- Adequate institutional framework score.

### Weak economy

We consider Belton's economy weak. The city, with an estimated population of 23,168, is located in Cass County in the Kansas City MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying

income of 83.1% of the national level and per capita market value of \$44,115. Overall, market value was stable over the past year at \$1.0 billion in 2017. The county unemployment rate was 4.8% in 2015.

Belton is in Cass County, about 20 miles south of downtown Kansas City. The city is growing as the Kansas City metropolitan area economy continues to expand outward. According to the U.S. Census, the city's population grew 6.4% from 2000 to 2010. Assessed valuation increased 5.2% from 2012 to 2016. About 57% of AV is made up of residential property, while another 24% is commercial.

### **Strong management**

We view the city's management as strong, with "good" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Management prepares each year's line-item budget based on three or four years of historical data, and provides the council with monthly budget-to-actual and investment portfolio reports. Management engages in three-year financial projections, and plans capital spending in accordance with a five-year capital improvement plan, both of which are updated annually. The city approved an investment policy. The city does not have a debt management policy. The council approved a policy to maintain a general fund balance equal to at least 15% of the prior year's revenues to cover expenditure contingencies and cash flow needs.

### **Adequate budgetary performance**

Belton's budgetary performance is adequate in our opinion. The city had surplus operating results in the general fund of 4.7% of expenditures, but a deficit result across all governmental funds of 3.8% in fiscal 2016 (March 31). General fund operating results of the city have been stable over the last three years, with a result of 4.8% in 2015 and 3% in 2014.

Budgetary performance reflects our adjusting of capital outlay reported in the general fund and total governmental funds to account for three-year averages. As a result, for fiscal 2016 we added \$14,000 to the general fund expenditures and \$2.1 million to total governmental funds expenditures. For fiscal 2017, management projects that the city will report break-even general fund operations after transfers. The city structured its fiscal 2018 general fund budget with a \$55,000 surplus after transfers. Given management's expectations for fiscal 2017 and 2018, we anticipate that performance will be at least adequate for the immediate future.

### **Very strong budgetary flexibility**

Belton's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 30% of operating expenditures, or \$4.4 million.

Budgetary flexibility consists of the assigned and unassigned general fund balances, as well as the \$2.3 million committed general fund balance that the city maintains as a stabilization fund. Given management's projections for fiscal 2017 and 2018, we believe that budgetary flexibility will remain very strong for the foreseeable future.

### **Very strong liquidity**

In our opinion, Belton's liquidity is very strong, with total government available cash at 62.9% of total governmental fund expenditures and 2.6x governmental debt service in 2016. In our view, the city has strong access to external

liquidity if necessary.

Liquidity is made up of \$21.4 million of unrestricted cash and short-term investments held in the city's governmental and enterprise funds. The city issued its series 2015 tax increment refunding revenue refunding bonds to a single buyer. We do not think that this direct purchase obligation, of which \$8.2 million remains outstanding, poses a liquidity risk because the bonds are secured by incremental revenues from one of the city's tax increment districts, and there is no recourse to the city's other revenues. Given management's projections for fiscal 2017 and 2018, we believe liquidity will remain very strong for the foreseeable future.

### **Very weak debt and contingent liability profile**

In our view, Belton's debt and contingent liability profile is very weak. Total governmental fund debt service is 23.8% of total governmental fund expenditures, and net direct debt is 191.1% of total governmental fund revenue. Negatively affecting our view of the city's debt profile is its high overall net debt of 10.3% of market value. Approximately 69.1% of the direct debt is scheduled to be repaid within 10 years, which is in our view a positive credit factor.

Despite \$2.1 million of remaining GO debt authorized by voters in 2010, management reports that the city does not have additional debt plans at this time.

Belton's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 3.8% of total governmental fund expenditures in 2016. The city made 102% of its annual required pension contribution in 2016.

The city's employees are covered by the Missouri Local Government Employees' Retirement System (LAGERS), to which the city pays 100% of its annual employer contribution. Under Governmental Accounting Standards Board statement 68, the city's LAGERS account had a funded level of 101% as of June 30, 2015. The city allows retirees to remain on its health care plan at their own expense, giving rise to an implicit rate subsidy.

### **Adequate institutional framework**

The institutional framework score for Missouri municipalities is adequate.

## **Outlook**

The stable outlook reflects our expectation that the city will maintain at least break-even operations in most years. Such performance will enable the city to maintain very strong budgetary flexibility and liquidity. We therefore do not expect to change the rating within the next two years.

### **Upside scenario**

We may raise the rating if key economic indicators substantially improve, coupled with the maintenance of at least adequate budgetary performance and very strong flexibility and liquidity.

### **Downside scenario**

We may lower the rating if the city does not maintain structural balance in most years, causing budgetary performance and flexibility to substantially deteriorate.

## 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
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

Ratings Detail (As Of April 13, 2017)		
Belton GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Belton ICR		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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