

# RatingsDirect®

---

## Summary:

# Belton, Missouri; Appropriations; General Obligation

### Primary Credit Analyst:

John A Kenward, Chicago (1) 312-233-7003; john.kenward@spglobal.com

### Secondary Contact:

Caroline E West, Chicago (1) 312-233-7047; caroline.west@spglobal.com

## Table Of Contents

---

Rationale

Outlook

Related Research

## Summary:

# Belton, Missouri; Appropriations; General Obligation

### Credit Profile

US\$12.975 mil GO rfdg bnds ser 2017C due 03/01/2031

*Long Term Rating* AA-/Stable New

US\$2.1 mil GO bnds ser 2017B due 03/01/2031

*Long Term Rating* AA-/Stable New

Belton COPs

*Long Term Rating* A+/Stable Affirmed

## Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to Belton, Mo.'s series 2017B and 2017C general obligation (GO) bonds. We also affirmed our 'AA-' rating on the city's outstanding GO debt and our 'A+' rating on the series 2017 refunding certificates of participation (COPs). 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 city will use series 2017B bond proceeds for various capital projects and 2017C bond proceeds to refund prior debt on a crossover basis. The refunded bonds will be called on the March 1, 2020, and March 1, 2021, crossover dates. We understand that the GO security applies to both series 2017C and the bonds to be refunded through the crossover period.

The city expects that the escrow established for the refunding will provide sufficient revenue to pay interest on the series 2017C bonds through the crossover dates, and management plans to abate the debt service levy accordingly. Management reports that the city will access the debt service if needed in the event that the escrow revenue stream becomes unavailable. Although we acknowledge the availability of the escrow to temporarily support 2017C debt service, because the city's other resources are available to pay the bonds, we rate the series 2017C bonds solely on the basis of the GO security.

The 2017 COPs are secured by annual lease rental payments payable from legally available funds, subject to annual term renewal. We rate the COPs one notch below the GO debt rating to reflect annual appropriation risk.

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

- Adequate economy, with projected per capita effective buying income at 92.6% and market value per capita of \$48,345, that is gaining advantage 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 operating results that we expect could improve in the near term relative to

fiscal 2017, which closed with operating deficits in the general fund and at the total governmental fund level in fiscal 2017;

- Very strong budgetary flexibility, with an available fund balance in fiscal 2017 of 28% of operating expenditures;
- Very strong liquidity, with total government available cash at 69.3% of total governmental fund expenditures and 2.9x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges at 24% of expenditures and net direct debt that is 185.1% of total governmental fund revenue, and high overall net debt at greater than 10% of market value, but rapid amortization, with 73% of debt scheduled to be retired in 10 years; and
- Adequate institutional framework score.

### **Adequate economy**

We consider Belton's economy adequate. The city, with an estimated population of 22,970, is located in Cass County in the Kansas City, Mo.-Kan. MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 92.6% of the national level and per capita market value of \$48,345. Overall, the city's market value grew by 8.7% over the past year to \$1.1 billion in 2018. The county unemployment rate was 4.1% in 2016.

Belton is about 20 miles south of downtown Kansas City. The city is growing as the Kansas City metropolitan area economy continues to expand. According to the U.S. Census Bureau, the city's population grew 6.4% from 2000 to 2010. Assessed valuation (AV) increased 14.5% from 2012 to 2017. Management reports that AV grew 8.8% in 2017 from 2016 because of new retail businesses. About 57% of AV is made up of residential property, while another 25% 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 operating deficits of 2.8% of expenditures in the general fund and 5.3% across all governmental funds in fiscal 2017. Our assessment accounts for the fact that we expect that 2018 budgetary results could improve from 2017 results in the near term.

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 2017 we added \$670,000 to the general fund expenditures and \$1.76 million to total governmental funds expenditures. The city structured its fiscal 2018 general fund budget with a \$55,000 surplus after transfers. Given the budgeted results for fiscal 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 2017 of 28% 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 2018, we believe that budgetary flexibility will remain very strong for the immediate future.

### **Very strong liquidity**

In our opinion, Belton's liquidity is very strong, with total government available cash at 69.3% of total governmental fund expenditures and 2.9x governmental debt service in 2017. In our view, the city has strong access to external liquidity if necessary.

Liquidity is made up of \$24.2 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, the bonds are not subject to acceleration following an event of default, and there is no legal recourse to the city's other revenues if incremental revenues are insufficient to pay debt service. Given management's projections for fiscal 2018, we believe liquidity will remain very strong for the near term.

### **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 24% of total governmental fund expenditures, and net direct debt is 185.1% of total governmental fund revenue. Negatively affecting our view of the city's debt profile is its high overall net debt of 10.9% of market value. Approximately 73% of the direct debt is scheduled to be repaid within 10 years, which is in our view a positive credit factor.

Management 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 2017. The city made 99% of its annual required pension contribution in 2017.

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 No. 68, the city's LAGERS account had a funded level of 93.5% as of June 30, 2016. 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 improvement in the debt burden and 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 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 October 20, 2017)

Belton rfdg certs of part ser 2017 dtd 05/08/2017 due 03/01/2028

<i>Long Term Rating</i>	A+/Stable	Affirmed
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.capitaliq.com](http://www.capitaliq.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.

Copyright © 2017 by Standard & Poor's Financial Services LLC. 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 acknowledgment 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 non-public 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](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.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](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.