

# RatingsDirect®

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## Summary:

# Maryville, Missouri; Appropriations; General Obligation

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### Credit Profile

US\$2.455 mil GO rfdg bnnds ser 2017 due 03/01/2029

*Long Term Rating*

AA-/Stable

New

## Rationale

S&P Global Ratings assigned its 'AA-' long-term rating on the City of Maryville, Mo.'s series 2017 general obligation (GO) refunding bonds. At the same time, we affirmed our 'AA-' underlying rating (SPUR) on the city's existing GO debt and our 'A+' long-term rating on the city's existing certificates of participation (COPs). The outlook is stable.

The city's full faith and credit pledge and an agreement to levy an ad valorem property tax without limitation as to rate or amount secure the series 2017 GO bonds. The principal and interest payments on the city's COPs are subject to annual appropriation by the city. The city, as lessee, makes basic rent payments to the trustee, as lessor, to pay for the COPs. Because the obligation of the city to pay rent payments does not involve a pledge of general tax revenue, we rate the COPs one notch below the city's full-faith-and-credit pledge.

The series 2017 GO bonds are being issued to currently refund the city's existing series 2009 bonds for interest cost savings.

The 'AA-' GO rating reflects the following characteristics of the city:

- Weak economy, with projected per capita effective buying income at 55.2% and market value per capita of \$46,295, that is gaining advantage from a local stabilizing institutional influence;
- Strong management, with "good" financial policies and practices under our financial management assessment (FMA) methodology;
- Adequate budgetary performance, with an operating deficit in the general fund but a slight operating surplus at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 24% of operating expenditures;
- Very strong liquidity, with total government available cash at 90.3% of total governmental fund expenditures and 5.3x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges at 16.9% of expenditures and net direct debt that is 136.2% of total governmental fund revenue; and
- Adequate institutional framework score.

### Weak economy

We consider Maryville's economy weak. The city, with an estimated population of 12,234, is located in Nodaway County. The city benefits, in our view, from a stabilizing institutional influence. The city has a projected per capita effective buying income of 55.2% of the national level and per capita market value of \$46,295. Overall, the city's

market value grew by 2.2% over the past year to \$566.4 million in 2018. The county unemployment rate was 4.6% in 2016.

Maryville encompasses approximately 6.2 square miles and is located in Nodaway County, approximately 95 miles north of Kansas City, Mo. We believe the city benefits from having Northwest Missouri State University located within its city limits. The university has 5,200 undergraduate students, which accounts for a significant portion of the city's population and which we believe may somewhat suppress the city's wealth and income levels. Northwest Technical School is also located within the city limits and serves roughly 275 students during the day and about 800 students per semester attending evening classes. Maryville also benefits from its location along Mozingo Lake Park, which is a 3,000-acre facility and includes 26 miles of shoreline surrounding a 1,000-acre lake. Officials attribute the recent increase in assessed value (AV) to recent new construction and reassessment of existing properties. Management expects stable to slight growth next year, consistent with previous years.

### **Strong management**

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

The city's revenue and expenditure projections are based on historical data. The budget is amended as needed. Monthly budget reports are provided to the elected officials and they have the flexibility to make amendments as needed. All of Maryville's investments comply with Missouri statutes, and the policy is reviewed annually as part of the city's audit process. In addition, elected officials are updated monthly on investment performance and holdings. The city has a debt management policy that identifies minimum savings that are required for refundings. Maryville lacks long-term financial and capital plans, though management indicates that it is process of developing a long-term capital plan. The city has a formal general fund balance policy that targets maintaining a minimum available general fund balance of at least 20% of essential operating expenditures. In calculating this essential operating expenditures figure, the city deducts one-time expenditures from its general fund expenditures. Amounts in excess of the 20% policy are generally used for capital projects and one-time expenditures.

### **Adequate budgetary performance**

Maryville's budgetary performance is adequate in our opinion. The city had deficit operating results in the general fund of negative 1.8% of expenditures, but a slight surplus result across all governmental funds of 0.6% in fiscal 2016.

Our analysis includes the adjustment for one-time expenditures in fiscal 2016. Officials attribute the deficit in the general fund to planned drawdowns for capital expenditures primarily related to street improvements. Maryville's total governmental fund revenues are diverse, with sales taxes accounting for about 52%, property taxes for 20%, and franchise taxes for 16% in 2016. Each of these revenue sources has demonstrated stable and steady growth in the past three fiscal years.

Currently, unaudited results for fiscal 2017 reflect a deficit of approximately \$295,000 in the general fund, which officials attribute to the planned use of reserves for capital expenditures, which represent an improvement upon the city's budget which had called for a \$500,000 deficit. A significant portion of these expenditures are associated with capital improvements for a city-owned conference center at Mozingo Lake Recreation Center. The adopted fiscal 2018

budget reflects the use of roughly \$290,000 of reserves in the general fund, mostly for capital projects. However, the city has historically budgeted very conservatively and typically ends the year with better than budgeted results.

### **Very strong budgetary flexibility**

Maryville's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 24% of operating expenditures, or \$1.5 million.

Unaudited results for fiscal 2017 reflect the drawdown of approximately \$280,000 for one-time capital expenditures bringing the available fund balance to a projected \$1.2 million. Excluding one-time capital expenditures, we anticipate the city's budgetary flexibility to remain very strong. Although the fiscal 2018 budget reflects the use of roughly \$290,000 from reserves for capital projects related to street improvements, officials believe they will end up significantly less in reserves due to extremely conservative revenue assumptions. The city has historically ended the year with better than budgeted results.

### **Very strong liquidity**

In our opinion, Maryville's liquidity is very strong, with total government available cash at 90.3% of total governmental fund expenditures and 5.3x governmental debt service in 2016. In our view, the city has strong access to external liquidity if necessary.

The city's strong access to external liquidity is demonstrated through access to the market in the past two decades. Providing additional support for our view of the city's strong access to external liquidity are the investment-grade rating and the city's strong credit quality.

Maryville has issued both general obligation, appropriation-backed, and revenue bonds in recent years. It has historically had what we consider very strong cash balances and, given management's demonstrated ability to maintain balanced operations, we do not believe its cash position will worsen. All of Maryville's investments comply with Missouri statutes and its internal policy. As of Sept. 30, 2016, Maryville's investments were held in depository accounts, certificates of deposit, and money market mutual funds. It has no contingent liabilities that could lead to a deterioration from very strong liquidity levels. Specifically, the city has advised us of a pending legal matter that may require payment during the next few years, but we do not view this as a contingent liability that could weaken its very strong liquidity position.

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

In our view, Maryville's debt and contingent liability profile is very weak. Total governmental fund debt service is 16.9% of total governmental fund expenditures, and net direct debt is 136.2% of total governmental fund revenue.

The city has plans to issue another \$6 million in additional debt for a new public safety facility, capital improvements, and vehicle replacement within the next two years.

Maryville's pension contributions totaled 3.6% of total governmental fund expenditures in 2016. The city made its full annual required pension contribution in 2016.

Maryville participates in the Missouri Local Government Employees' Retirement System (LAGERS), an agent multiemployer public employee retirement system that acts as a common investment and administrative agent for

local government entities in Missouri. LAGERS was created and is governed by state statute, and is a defined-benefit pension plan that provides retirement, disability, and death benefits. Using updated reporting standards in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, the city's net pension asset was measured as of Dec. 31, 2016 at \$44,752 and had a funded ratio of 100.3%. We understand that the city does not provide any other postemployment benefits.

### Adequate institutional framework

The institutional framework score for Missouri municipalities is adequate.

## Outlook

The stable outlook reflects our opinion that we will not change the rating over the two-year outlook horizon. The outlook further reflects our view that city will continue to achieve very strong budgetary flexibility and maintain an available fund balance in its general fund of greater than 15% of expenditures. The stable outlook also reflects our view that the city's economy will continue to benefit from Northwest Missouri State University.

### Downside scenario

We would likely lower the rating if the city's budgetary flexibility were to weaken, or if its budgetary performance deteriorated

### Upside scenario

While unlikely, a higher rating could follow an expansion of the economic base, all else being equal, that enables the city's wealth and income levels to remain comparable with those of higher-rated peers, and decreasing debt levels resulting in an improved debt and contingent liability profile.

## 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
- 2017 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of November 20, 2017)		
Maryville certs of part		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Maryville COPs		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Maryville GO (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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.

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