

CREDIT OPINION

3 October 2018



Contacts

Sarah Jensen +1.214.979.6846
Analyst
 sarah.jensen@moody.com

Roger S Brown +1.214.979.6840
VP-Senior Analyst/Manager
 roger.brown@moody.com

CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454

West County EMS & Fire Protection Dist., MO

Update to credit analysis

Summary

West County EMS & Fire Protection District, MO's (Aa2) credit profile benefits from a large and stable tax base and healthy financial position. Conservative budgeting and voter approval of an increased tax rate several years ago have yielded strong financial performance in recent years and boosted reserves. Long term liabilities are modest with a low debt burden and no pension liability given the district's defined contribution plan. Healthy reserves and low fixed costs help mitigate the district's limited revenue raising flexibility.

Credit strengths

- » Healthy financial profile supported by strong reserve levels
- » Modest debt burden; no pension liability
- » Large and stable tax base

Credit challenges

- » Limited revenue raising flexibility

Rating outlook

Moody's generally does not assign outlooks to local governments with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Significant tax base expansion
- » Substantial improvement in reserves

Factors that could lead to a downgrade

- » Tax base contraction
- » Material weakening of reserves

Key indicators

Exhibit 1

West County EMS & Fire Protection Dist., MO	2013	2014	2015	2016	2017
Economy/Tax Base					
Total Full Value (\$000)	\$3,311,804	\$3,337,463	\$3,466,842	\$3,475,008	\$3,845,041
Population	46,325	46,325	51,000	51,000	51,000
Full Value Per Capita	\$71,491	\$72,045	\$67,977	\$68,137	\$75,393
Median Family Income (% of USMedian)	116.7%	118.3%	117.3%	117.7%	117.7%
Finances					
Operating Revenue (\$000)	\$11,755	\$12,024	\$14,085	\$14,576	\$15,150
Fund Balance (\$000)	\$11,670	\$11,286	\$14,021	\$14,838	\$15,761
Cash Balance (\$000)	\$11,275	\$11,095	\$11,883	\$13,550	\$14,953
Fund Balance as a % of Revenues	99.3%	93.9%	99.5%	101.8%	104.0%
Cash Balance as a % of Revenues	95.9%	92.3%	84.4%	93.0%	98.7%
Debt/Pensions					
Net Direct Debt (\$000)	\$17,975	\$17,030	\$17,565	\$16,590	\$15,565
3-Year Average of Moody's ANPL (\$000)	\$0	\$0	\$0	\$0	\$0
Net Direct Debt / Operating Revenues (x)	1.5x	1.4x	1.2x	1.1x	1.0x
Net Direct Debt / Full Value (%)	0.5%	0.5%	0.5%	0.5%	0.4%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.0x	0.0x	0.0x	0.0x	0.0x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.0%	0.0%	0.0%	0.0%	0.0%

St. Louis County used as proxy for Median Family Income; population is per district estimates

Source: West County EMS & Fire Protection District's annual financial reports, Moody's Investors Service

Profile

The district is located in the western portion of [St. Louis County](#) (Aaa stable), including portions of the cities of Manchester, Ballwin, Winchester, Twin Oaks, Des Peres, Valley Park and unincorporated St. Louis County. The district's service area spans approximately 21 square miles and has an estimated resident population of 51,000.

Detailed credit considerations

Economy and tax base: stable tax base within St. Louis metro

The district's large tax base will remain stable due to its location within the [St. Louis](#) (Baa1 stable) metro area with modest growth likely to be driven by ongoing reinvestment of existing properties. Averaging 3.9% annual growth over the past five years, the district's base reached \$3.9 billion as of fiscal 2018. The tax base is diverse as the top ten taxpayers represent a modest 6.3% of the 2017 assessed valuation.

District officials anticipate valuations will likely remain flat over the near term. Ongoing development is minimal and is primarily residential renovations. St. Louis County's median family income is above average at 117.7% of the nation.

Financial operations and reserves: strong financial performance yields healthy reserves

The district will maintain a healthy financial position supported by conservative budgeting and manageable expenditure growth. With three consecutive years of large surpluses, the district's operating fund (inclusive of general, dispatch, ambulance, pension, and debt service funds) maintains a healthy reserve position with an available operating fund balance of \$15.8 million or a healthy 104% of revenues as of fiscal 2017.

For fiscal 2018, revenues and expenditures are consistent with budgeted expectations with year-end results driving stable if not improving reserves. The fiscal 2019 budget will include new collective bargaining agreements that will extend for three years and will likely include modest salary and benefit increases annually. Revenues are primarily derived from property taxes (63.5% of 2017 total operating revenues), payments in lieu of taxes (PILOTs; 26.1%) and ambulance billings (7.5%). The district has limited flexibility to raise

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

property taxes absent voter approval which was last obtained for an increase in 2015. The PILOTs are received through contractual emergency service agreements with several municipalities and private entities that generally renew automatically; current agreements extend through 2021 or 2022. Officials report no challenges with any of the agreements nor is there any expectation that they would change in the future. The district's policy is to maintain at least a 25% reserve position and there are no plans to significantly spend down reserves.

LIQUIDITY

Changes in the district's liquidity has generally mirrored operating performance. As of fiscal 2017, the operating funds held cash of nearly \$15 million or 98.7% of revenues.

Debt and pensions: modest debt profile; no pension liability

The district's long term liabilities and fixed costs will remain manageable given a modest debt profile and no pension liability. Following the 2018 refunding, the district has \$14.5 million in outstanding unlimited tax bonds, equating to a modest 0.4% debt burden. The district does not have any future debt issuance plans but instead will cash fund any vehicle or equipment replacement needed over the next several years.

The district's debt service and contribution to the defined contribution plan totaled \$2.4 million, representing a manageable 15.7% of total operating revenues.

DEBT STRUCTURE

All of the district's debt is fixed rate and amortizes over the long term. Payout is relatively quick with 79.4% of principal retired within ten years. Annual debt service falls significantly in 2024 and gradually descends through maturity in 2035. With the 2018 refunding, the district shortened the maturity by five years, increasing the near term debt service payments which still remain affordable at the current levy.

DEBT-RELATED DERIVATIVES

The district is not party to any swap or interest rate derivative agreements.

PENSIONS AND OPEB

The district contributes to a single-employer defined contribution retirement plan and does not carry an unfunded liability.

Management and governance: limited revenue raising flexibility

The district is governed by a three member board of directors whose members serve staggered six year terms. The board appoints a Chief of EMS & Fire Services who handles the daily administration of district services

Missouri Fire Districts have an Institutional Framework score of A, which is moderate. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue sources are subject to a cap via the Hancock Amendment which can be overridden with voter approval only. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Missouri has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454