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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 US Median)	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 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 a 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.

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