

CREDIT OPINION

9 October 2019



Contacts

James Kerin, CFA +1.214.979.6859
 Associate Lead Analyst
 james.kerin@moody's.com

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

CLIENT SERVICES

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

Raymore (City of) MO

Update to credit analysis

Summary

The credit profile of the [City of Raymore, MO](#) (Aa2) benefits from the city's growing tax base with proximity to [Kansas City, MO](#) (Aa2 stable) and above average resident income indices coupled with stable financial operations and healthy operating reserves. These attributes are weighed against an above average, though manageable, debt burden and average pension burden.

On October 8, 2019, Moody's affirmed the city's underlying general obligation rating at Aa2 and assigned a Aa3 rating to the city's Tax Exempt Special Obligation Refunding Bonds, Series 2019.

Credit strengths

- » Growing tax base with proximity to Kansas City, MO
- » Above average resident income indices
- » Stable financial operations and healthy operating reserves

Credit challenges

- » Above average debt burden

Rating outlook

Moody's does not typically assign outlooks to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Continuation of surplus operations leading to significantly bolstered reserves
- » Moderation of city's debt profile
- » Significant tax base expansion

Factors that could lead to a downgrade

- » Weak financial performance leading to erosion of reserves
- » Further leveraging of the tax base absent corresponding taxable value growth
- » Trend of material tax base contraction

Key indicators

Exhibit 1

Raymore (City of), MO	2014	2015	2016	2017	2018
Economy/Tax Base					
Total Full Value (\$000)	\$1,269,501	\$1,294,566	\$1,333,774	\$1,370,986	\$1,498,030
Population	19,576	19,813	20,107	20,358	20,358
Full Value Per Capita	\$64,850	\$65,339	\$66,334	\$67,344	\$73,584
Median Family Income (% of US Median)	121.3%	125.8%	123.5%	129.6%	129.6%
Finances					
Operating Revenue (\$000)	\$10,616	\$10,867	\$10,188	\$10,858	\$11,186
Fund Balance (\$000)	\$5,471	\$6,819	\$5,455	\$5,597	\$5,611
Cash Balance (\$000)	\$5,773	\$7,089	\$5,752	\$5,909	\$5,951
Fund Balance as a % of Revenues	51.5%	62.7%	53.5%	51.5%	50.2%
Cash Balance as a % of Revenues	54.4%	65.2%	56.5%	54.4%	53.2%
Debt/Pensions					
Net Direct Debt (\$000)	\$35,166	\$44,681	\$51,507	\$51,777	\$48,103
3-Year Average of Moody's ANPL (\$000)	\$5,195	\$5,631	\$8,157	\$12,558	\$15,720
Net Direct Debt / Full Value (%)	2.8%	3.5%	3.9%	3.8%	3.2%
Net Direct Debt / Operating Revenues (x)	3.3x	4.1x	5.1x	4.8x	4.3x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.4%	0.4%	0.6%	0.9%	1.0%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.5x	0.5x	0.8x	1.2x	1.4x

Source: Raymore's audited financial statements fiscal years 2014-18; US Census Bureau

Profile

Raymore is located in Cass County, Missouri, in the west central portion of the [State of Missouri](#) (Aaa stable), approximately 25 miles south of Kansas City, Missouri. The city encompasses approximately 20 square miles and has a 2017 population of 20,358.

Detailed credit considerations

Economy and tax base: growing tax base near Kansas City

The city's tax base will remain in expansion mode over the near term given the availability of developable land and ongoing residential development. Over the past five years, the city's tax base expanded 6.5% on average, including 13.3% growth for fiscal 2020 to \$1.8 billion. The city is only 40% built out and management reports construction of a 400 unit luxury apartment complex and 200 unit luxury rental town home development are underway, both of which are expected to generate above market rents. The city also granted 95 residential permits in the past year for new construction of higher end homes. Top 10 taxpayer concentration is modest at 6.4% of full value.

Resident income indices are above average with median family income equal to 129.6% of the US. The Cass County July 2019 3.5% unemployment rate compares favorably to both state (3.7%) and national (4.0%) rates for the same period.

Financial operations and reserves: stable financial operations with healthy reserves

Financial operations will remain stable given the city's demonstrated trend of maintaining healthy reserves alongside a formal general fund balance policy to maintain 20% of expenditures in reserves. The city's operating funds (general and debt service) posted a minimal surplus in fiscal 2018 (October year end), maintaining healthy available fund balance at 50.2% of operating revenue or \$6.0 million. Fiscal 2018 operating fund revenue is balanced and primarily derived from property taxes (33%), sales taxes (26.3%), and other taxes (24.7%). Management projects the general fund will incur a modest \$700 thousand deficit in fiscal 2019 because of one-time expenditures related to a mobile command center for police, audio/video improvements at city hall, and various other capital

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.

improvements throughout the city; this draw reduces the projected fiscal 2019 general fund balance to approximately \$3.0 million or 29.7% of fiscal 2018 general fund revenues. Positively, the city holds \$6.2 million in liquidity available outside of the general fund to support city operations including parks and recreation, transportation, and capital improvement funds and may be used at council discretion with no restriction.

LIQUIDITY

At the close of fiscal 2018, the city's operating liquidity (general and debt service funds) totaled \$5.8 million, or 51.5% of operating revenues.

Debt and pensions: manageable fixed cost burden despite high debt profile compared to peers

Inclusive of the current sale, the city's direct debt burden is manageable, yet high compared to peers, at 2.9% of full value. Management anticipates approaching voters in spring 2020 for additional authorization though the final amount has not been determined. Outsized leveraging of the tax base is negative for the credit profile.

DEBT STRUCTURE

All of the city's debt is fixed rate and matures over the long-term (final maturity in fiscal 2037). Principal amortization on the city's general obligation debt is average with approximately 80% of principal repaid within ten years.

DEBT-RELATED DERIVATIVES

The city is not party to any interest rate swaps or other derivative agreements.

PENSIONS AND OPEB

The city participates in the Missouri Local Government Employee Retirement System (LAGERS), an agent multiple-employer defined benefit public employee retirement system. Raymore contributed \$872 thousand towards the plan in fiscal 2018. Moody's three-year average adjusted net pension liability (ANPL) for the city, under our methodology for adjusting reported pension data, was \$15.7 million in fiscal 2018, representing a manageable 1.4 times operating revenues and below average 1% of full value. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities and are not intended to replace the city's reported liability information.

The city's pension contributions have exceeded our "tread water" calculation each of the past three years; contributions exceeded "tread water" by \$16 thousand in fiscal 2018. The "tread water" indicator measures the annual government contribution required to prevent the reported net pension liability (NPL) from growing, under reported assumptions. Contributions above this level cover all NPL interest plus pay down some principal, making them stronger from a credit perspective than contributions below this level.

Fixed costs totaled \$3.1 million (debt service of \$2.3 million, "tread water" pension contributions of \$796 thousand), representing an elevated, though manageable, 27.5% of operating revenues.

Management and governance: revenue raising flexibility limited by Hancock Amendment

The city is governed by an eight member city-council, elected to staggered two year terms. The mayor is elected at large to a three year term. The city administrator is appointed by the mayor and council and is responsible for the day-to-day operations of the city.

Missouri Cities have an Institutional Framework score of "A", which is moderate. Major revenue sources are a mix of sales and property tax revenues. Sales tax revenues require voter approval and typically contain sunset provisions. Ad valorem property tax revenues 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 less than 25% of expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Rating methodology and scorecard factors

The [US Local Government General Obligation Debt](#) methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 2

Raymore (City of), MO

Rating Factors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$1,784,477	Aa
Full Value Per Capita	\$87,655	Aa
Median Family Income (% of US Median)	129.6%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	50.2%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	11.5%	Aa
Cash Balance as a % of Revenues	53.2%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	12.5%	Aa
Management (20%)		
Institutional Framework	A	A
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.0x	Aa
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	2.5%	A
Net Direct Debt / Operating Revenues (x)	4.0x	Baa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.9%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.4x	A
Scorecard-Indicated Outcome		Aa2
Assigned Rating		Aa2

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs.

Source: Raymore's audited financial statements fiscal years 2014-18; US Census Bureau

© 2019 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 OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. 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 CREDIT 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 ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. 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.

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 ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

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

Contacts

James Kerin, CFA
Associate Lead Analyst
james.kerin@moody.com

+1.214.979.6859

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

+1.214.979.6840

CLIENT SERVICES

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