

RatingsDirect®

Summary:

Maryville, Missouri; Appropriations; General Obligation

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Summary:

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Credit Profile

US\$5.145 mil rfdg and imp certs of part ser 2019 due 09/01/2038

Long Term Rating

A+/Stable

New

Rationale

S&P Global Ratings assigned its 'A+' long-term rating to Maryville, Mo.'s series 2019 certificates of participation (COPs). At the same time, S&P Global Ratings affirmed its 'A+' long-term rating on the city's existing COPs and its 'AA-' long-term rating and underlying rating (SPUR) on the city's general obligation (GO) debt. The outlook is stable.

Security and use of proceeds

Lease rental payments by the city, as lessee, to the bond trustee, as lessor, secure the COPs. We rate the city's COPs one notch lower than the city's general creditworthiness, reflected in the GO bond rating, to account for the appropriation risk associated with the lease payment. The city has pledged its best efforts to seek council approval to extend the term lease annually until the COPs mature, and it considers the affordability of lease payments in its long-term plans. We consider the affordability and likelihood of the lease payment, reflected in the rating on the COPs and our view of the city's general creditworthiness. In our view, lease features and terms are standard with no unusual risks regarding timely debt payment.

The city will use series 2019 COP proceeds to acquire, construct, improve, furnish, and equip water treatment plant membranes, design street improvements, acquire and install new downtown traffic signals and 911 equipment, renovate and improve the city hall, and refund a portion of the city's debt outstanding for interest cost savings.

Credit overview

The city benefits from the stabilizing presence of Northwest Missouri State University, which we believe somewhat suppresses some of the city's economic metrics. The stability of the city's economic base, as well as management's good financial management policies and practices, have helped the city maintain stable operations as well as very strong reserves and liquidity.

The rating further reflects our view of the city's:

- Weak economy, with projected per capita effective buying income at 46.9% and market value per capita of \$48,165, that benefits from a local stabilizing institutional influence;
- Strong management, with good financial policies and practices under our financial management assessment methodology;
- Adequate budgetary performance, with operating results that we expect could deteriorate in the near term relative to fiscal 2018, which closed with an operating surplus in the general fund and a slight operating surplus at the total

governmental fund level;

- Very strong budgetary flexibility, with an available fund balance in fiscal 2018 of 32% of operating expenditures;
- Very strong liquidity, with total government available cash at 93% of total governmental fund expenditures and 4.4x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges at 21.1% of expenditures and net direct debt that is 148.6% of total governmental fund revenue, but rapid amortization, with 73.7% of debt scheduled to be retired in 10 years; and
- Adequate institutional framework score.

Weak economy

We consider Maryville's economy weak. The city, with an estimated population of 11,949, 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 46.9% of the national level and per capita market value of \$48,165. The county unemployment rate was 2.9% in 2018.

Maryville is about 42 miles north of St. Joseph in northwestern Missouri, and is Nodaway County's seat. We believe Maryville benefits from having Northwest Missouri State University within city limits. The university has over 5,600 undergraduate students, which account for a significant portion of the city's population; we believe this might somewhat suppress wealth and income indicators. Northwest Technical School is also within city limits, and serves about 800 students per semester attending evening classes. Maryville's economy benefits from nearby Mozingo Lake Park, a 3,000-acre facility that includes 26 miles of shoreline surrounding a 1,000-acre lake.

Assessed valuation has increased by 2.9% since 2016. Officials project that assessed valuation will continue to trend upward, which we believe is reasonable given the historical trend as well as ongoing revitalization projects in the area.

Strong management

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

The city bases revenue and expenditure projections on historical data and amends the budget as needed. Management provides monthly budget reports to elected officials, who have the flexibility to make amendments as needed. Maryville's investments comply with Missouri statutes, and management reviews the policy annually as part of the audit process. In addition, management updates elected officials monthly on investment performance and holdings.

The city's debt management policy identifies minimum savings required for refundings. Maryville lacks long-term financial and capital plans, but management reports that it is developing a long-term capital plan. Maryville's formal general fund balance policy calls for maintaining a minimum available general fund balance of at least 20% of essential operating expenditures. In calculating essential operating expenditures, the city deducts one-time expenditures from general fund expenditures. Management generally uses amounts in excess of 20% of expenditures for capital projects and one-time expenditures.

Adequate budgetary performance

Maryville's budgetary performance is adequate, in our opinion. The city had a surplus operating result in the general fund of 2.0% of expenditures and a slight surplus result across all governmental funds of 1.2% in fiscal 2018. Our assessment accounts for our expectation that budgetary results could deteriorate somewhat in the near term.

We have made a number of adjustments to the city's operating data to better analyze its typical operations and facilitate comparisons with its peers. Our analysis includes adjustments for one-time grant revenue and corresponding expenditures as well as capital expenditures funded by debt proceeds.

Maryville's total governmental fund revenue is diverse: Sales taxes accounted for about 42%, property taxes for 16%, and franchise taxes for 13% in fiscal 2018. Each of these revenue sources has demonstrated largely stable collections over the past three fiscal years.

Officials estimate that the city finished fiscal 2019 with a roughly \$150,000 general fund drawdown. The 2020 budget features another drawdown of \$466,000. However, the city has historically budgeted very conservatively; it typically ends the fiscal year with better-than-budgeted results and consequently management anticipates drawing down only another \$150,000. We view these drawdowns as more one-time in nature and do not anticipate any structural imbalance.

Given management's expectations for fiscal years 2019 and 2020, we believe budgetary performance will likely remain adequate for the foreseeable future.

Very strong budgetary flexibility

Maryville's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2018 of 32% of operating expenditures, or \$1.5 million.

Although the city will likely draw down on reserves in fiscal years 2019 and 2020, we anticipate that its resulting balance will remain very strong.

Very strong liquidity

In our opinion, Maryville's liquidity is very strong, with total government available cash at 93% of total governmental fund expenditures and 4.4x governmental debt service in 2018. In our view, the city has strong access to external liquidity if necessary.

Liquidity includes roughly \$7.5 million in unrestricted cash and equivalents in the governmental and enterprise funds at fiscal year-end 2018. We believe the city's recent issuance of GO bonds and lease rental COPs demonstrates its strong access to external liquidity.

Maryville is party to a number of small direct purchase obligations, some of which allow for the acceleration of principal, but we do not believe that they pose a risk to either the city's finances or liquidity given the city's ample cash coverage.

Weak debt and contingent liability profile

In our view, Maryville's debt and contingent liability profile is weak. Total governmental fund debt service is 21.1% of total governmental fund expenditures, and net direct debt is 148.6% of total governmental fund revenue.

Approximately 73.7% of the direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor.

Officials anticipate that the city will issue approximately \$2 million in additional debt within the next two years, but we do not anticipate that this will materially increase the city's debt burden.

Maryville's pension contributions totaled 3.8% of total governmental fund expenditures in 2018. The city made its full annual required pension contribution.

Maryville participates in the Missouri Local Government Employees' Retirement System (LAGERS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. State statute created and governs LAGERS, a defined benefit pension plan that provides retirement, disability, and death benefits. Using updated reporting standards in accordance with Governmental Accounting Standards Board Statement No. 68, the city's net pension assets were, at June 30, 2017, \$1.47 million with a funded ratio of 109.7%. The city's fiscal 2018 employer contribution to LAGERS was \$304,396, which is above the minimum funding status target. We understand the city does not provide other postemployment benefits. Given the strength of the pension plan's funding, as well as the city's lack of other postemployment obligations, we view its postemployment benefit pressure as minimal and unlikely to pose a significant burden to the city's operations.

Adequate institutional framework

The institutional framework score for Missouri municipalities is adequate.

Outlook

The stable outlook reflects S&P Global Ratings' opinion that it will likely not change the rating during the two-year outlook period because it expects Maryville to maintain at least adequate budgetary performance coupled with very strong budgetary flexibility and liquidity. The outlook also reflects our view that the city's economy will likely continue to benefit from Northwest Missouri State University's presence.

Downside scenario

We could lower the rating if Maryville does not maintain balanced operations, resulting in weakened budgetary flexibility.

Upside scenario

All else equal, we could raise the rating if the economy were to expand, resulting in a substantial improvement in key economic indicators to levels comparable with those of higher-rated peers.

Related Research

2019 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of November 15, 2019)

Ratings Detail (As Of November 15, 2019) (cont.)		
Maryville certs of part		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Maryville certs of part ser 2018 due 09/01/2038		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Maryville COPs		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Maryville GO rfdg bnds ser 2017 due 03/01/2029		
<i>Long Term Rating</i>	AA-/Stable	Affirmed

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