

# RatingsDirect®

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## Summary:

### Clay County School District No. 74 (North Kansas City), Missouri; School State Program

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**Summary:**

# Clay County School District No. 74 (North Kansas City), Missouri; School State Program

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US\$95.0 mil GO bnds ser 2020 dtd 08/12/2020 due 09/01/2040		
Long Term Rating	AA+/Stable	New

## Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to North Kansas City School District No. 74 of Clay County, Mo.'s series 2020 general obligation (GO) bonds. The outlook is stable.

The bond proceeds will be used to finance land acquisition, construction, repairing, and renovation of new and existing school facilities, as well as acquiring buses and other transportation equipment.

### Credit overview

The long-term rating reflects our assessment of the district's eligibility for, and participation in, the Missouri Direct Deposit of State Aid program. The state credit enhancement rating is one notch below the Missouri GO rating (AAA/Stable), reflecting:

- Our view of state aid appropriation risks, which are partly mitigated by strong state support for the program and consistent and well-established state aid funding;
- Our expectation that maximum annual debt service coverage on all parity debt by state aid payments, currently 3.03x, will continue to be strong; and
- Our view that the flow of state aid distributions and debt service payment dates result in a strong assessment of timing and administrative risks.

## Stable Outlook

The stable outlook on the state credit enhancement rating reflects our view of the state's creditworthiness and that its support for the program will remain strong. We expect that coverage will remain strong over the outlook horizon given the program's structural features, recent state aid, and enrollment. Upward rating potential is limited because of the state rating and appropriation risks. Should we lower the state rating, or should state support or debt service coverage decline, we could consider a lower rating.

## **Credit Opinion**

### **State involvement: Strong**

In 1995, the Missouri Legislature adopted Senate Bill No. 301, which established a program to assist Missouri school districts with their financing needs. The withholding program operates on the strength and availability of state aid, which the state directs to a trustee-held debt service fund. Under the bill, the Missouri Health and Educational Facilities Authority (MOHEFA) oversees and manages the program and has the authority to develop operating guidelines. Because Missouri has treated school aid as a priority and as a consistent, reliable state expenditure, and has demonstrated ongoing support of the program, we consider state involvement strong.

### **Coverage: Strong**

Based on fiscal 2019 revenue, we consider maximum annual debt service coverage of the 2020 bonds and all parity debt of 3.03x strong.

### **Timing and administrative risks: Strong**

We have assessed timing and administrative risks as strong, reflecting the flow of funds directly to the trustee and the timing of debt service payments.

The district has entered into a binding direct deposit agreement with the state to divert monthly state aid to a trustee-held debt service fund. State aid flowing to the direct deposit trustee will be the first dollars of the district's monthly state aid payment. The trustee, in turn, will remit to each independent district paying agent the required principal and interest at the required times. MOHEFA, the department of elementary and secondary education, the office of administration, and the treasurer's office will coordinate activities to operate the direct deposit mechanism. We have reviewed the disbursement schedule of the direct deposits, which in our view does not present timing risk. If any monthly payment is insufficient to meet the increment requirement, the next direct deposit will make up the shortfall and include that month's required payment. Although annual debt service payments will be made out of the first eight months of a participating district's state aid, the direct deposit account has access to its entire annual state aid appropriation, if needed.

The state has no history of late budget adoption or reduction of local school aid in the middle of a fiscal year. To eliminate the risks associated with any future occurrences, however, the state has instructed that debt service payment dates cannot be in the ending or beginning months of the state's fiscal year.

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 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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