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Ratings

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Summary:

Jackson County Consolidated School District #C-4 (Grandview); General Obligation; School State Program

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Credit Profile		
US$35.1 mil GO bnds ser 2022 dtd 06/07/2022 due 03/01/2039		
Long Term Rating	A+/Stable	New
Jackson Cnty Cons Sch Dist #4 Grandview GO State Credit Enhancement		
Long Term Rating	AA+/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'A+' long-term rating to Jackson County Consolidated School District No. C-4 (Grandview), Mo.'s approximately $35.1 million series 2022 general obligation (GO) bonds. At the same time, we affirmed our 'A+' rating on the district's GO debt outstanding. The outlook is stable.

Revenue from unlimited ad valorem property taxes secures the series 2022 GO bonds and GO bonds outstanding. Bond proceeds will be used to finance various capital improvements to the district's facilities.

Credit overview

The district's local economy is primarily residential and has undergone modest growth in recent years through ongoing commercial and residential construction. Its financial position has remained stable and strong on a modified-cash basis of accounting and has benefited from significant receipt of federal relief funds, which are being used on one-time expenditures. The district's debt burden is manageable and, as it has no additional debt plans, we anticipate it will continue to be so for the foreseeable future. As a result, we anticipate rating stability over the outlook horizon.

The 'A+' long-term rating reflects our view of the district's:

- Growing and primarily residential local economy outside of Kansas City;
- Historically strong reserves, with no plans to spend down; and
- Manageable debt burden, with no additional debt plans.

Environmental, social, and governance

We analyzed the district's environmental, social, and governance risks relative to its economy, management, financial measures, and debt and liability profile, and view them as credit neutral.

Stable Outlook

Downside scenario

If financial performance were to worsen through capital needs or structural imbalance, leading to significant draws on reserves with no plan to correct, we could take negative rating action.

Upside scenario

We could take positive rating action in the unlikely event that the district's economy materially expanded and diversified, as evidenced by improved effective buying income, and if the district strengthened its financial management policies and practices.

Credit Opinion

Primarily residential local economy outside of Kansas City, with ongoing construction

The district is located in western Missouri, approximately 16 miles south of Kansas City, Mo. It encompasses an area of approximately 30 square miles and is accessible by U.S. Interstate 49.

The tax base consists of mostly residential properties, which account for 71% of estimated actual valuation. Officials report numerous developments in recent years, including new businesses in Truman's Marketplace shopping center and Southpointe Business Park, a new credit union, and a new 400-unit apartment complex. Officials also report capacity in the industrial area in the southern part of Grandview and anticipate continued growth as that area develops. We anticipate that the local economy will remain at least stable.

Strong cash-based reserves, with no plans to spend down outside of receipt of federal relief funds

The district reports financial statements using a modified-cash basis of accounting. We combine its general fund and special revenue fund in our analysis of operating performance. The district posted a sizeable surplus in fiscal 2021 after two small deficits in fiscal 2020 and 2019, in part due to receipt of ESSER funds and conservative budgeting practices. Its combined operating revenue is fairly predictable and in fiscal 2021 consisted primarily of local revenue (51.6%) and state revenue (29%). State revenue is largely based on enrollment, which declined slightly during the pandemic; however, officials anticipate that enrollment will increase to pre-pandemic levels, which we view as reasonable given ongoing residential growth in the area.

For fiscal 2022, the district anticipates a surplus of $2.1 million, or 3.6% of operating expenditures, after a transfer of $1.7 million into its capital projects fund. The surplus is aided by growth in assessed value of more than 12% and by the recent passage of a 60 cent per $100 of AV operating tax increase, which has no sunset provision. ESSER funds are not factored into the fiscal 2022 budget. Officials anticipate that the increase in the operating tax levy will bring $3.8 million in additional revenue compared to fiscal 2021. The additional funds will be used for teacher salary increases.

The district received $1.5 million in ESSER I funds in fiscal 2020 and $4.9 million in ESSER II funds in fiscal 2021, which were spent during the same year as received to offset salaries and supply costs during the pandemic. The district was further allocated $10.9 million in ESSER III funds, which will be received and spent through fiscal years 2022 through 2024. Officials indicate that ESSER III funds will be used to offset salary and supply costs and to address

learning loss. ESSER III funds may also be used towards capital improvement and the district anticipates keeping its reserves above 20% of operating expenditures, per its informal target.

The district posted a deficit in fiscal 2019, largely as a result of a decline in payment in lieu of tax (PILOT) revenue from tax incremental financing districts due to the timing of payments. The payment for 2019 did not take place until early August, which caused the revenue for FY2019 to be $700,000 less than the previous year and FY2020 to be higher than normal. In fiscal 2020, the district transferred $623,000 into its capital projects fund and state withholdings resulted in an unexpected loss of $738,000, which was restored in fiscal 2021 after the state released all previously withheld funds.

Given its history of strong performance and its lack of plans to spend down reserves over the next two years, we anticipate that budgetary flexibility will remain strong and a key credit strength.

Standard financial management practices and policies

Key practices and policies include:

- Use of three to five years of historical data and consultation with outside resources when developing the budget;
- Monthly reports to the board on budget-to-actual comparisons with amendments made as needed;
- Lack of formalized long-term financial planning and capital planning;
- Maintenance of an investment policy, with holdings reviewed annually in the audit;
- Formal debt management policy that is not more restrictive than state statutes; and
- Informal target of maintaining general fund reserves at 16% to 20% of operating expenditures to address unforeseen contingencies.

Manageable debt burden with average amortization and no additional debt plans

Our assessment of overall net debt comprises about $61.5 million in direct debt and $22 million in overlapping debt. According to officials, the district has no privately placed debt outstanding. The district has no additional debt plans, and we anticipate its debt burden will remain manageable for the foreseeable future.

Pension costs are moderate given strong pension funding status

Pension costs are modest as a share of total spending and are not likely to accelerate in upcoming years given the plans' strong funding. The district offers no other postemployment benefits.

The district participates in the following plans:

- Missouri Public School Retirement System (PSRS): a multiple-employer, statewide, cost-sharing plan, which was 95.8% funded as of June 30, 2021; and
- Missouri Public Education Employees' Retirement System (PEERS): a statewide plan, which was 98.4% funded as of June 30, 2021.

We note that the district's net pension liabilities are not reported in its audited financial statements as a result of its use of modified-cash basis of accounting. Plan-level contributions for PEERS and PSRS exceeded both our static funding and minimum funding progress calculations for the most recent year, partly as a result of improvements in their

funding ratios. High net investment returns in both plans during 2021 resulted in better funded ratios year over year and more modest net pension liabilities. Contribution rates are based on recommendations by plan actuaries, but cannot increase by more than 1 percentage point for PSRS and 0.5 percentage point for PEERS in any given year, leading to contributions below actuarially determined contributions in some years. In general, we expect progress toward full funding to be slower, given the amortization basis of level percent over a closed period of 30 years for both PSRS (for which nine years have passed) and PEERS (for which eight years have passed), and we further believe that the 7.3% rate-of-return assumption used for both plans, which exceeds our 6.0% guidance, could lead to contribution volatility. Nevertheless, we expect pension contributions to remain a modest share of total spending in the coming years.

Jackson Co. Consolidated School District #C-4 (Grandview): Key Credit Metrics

	Characterization	Most recent	Historical information		
			2021	2020	2019
Economic indicators					
Population				32,994	33,267
Median household EBI % of U.S.	Adequate			89.0	91.0
Per capita EBI % of U.S.	Good			91.0	91.0
Market value ($000)		2,760,525	2,456,562	2,523,969	2,048,492
Market value per capita ($)	Very strong	83,667	74,455	76,498	61,577
Top 10 taxpayers % of taxable value	Very diverse	9.5	9.5	9.1	10.5
Financial indicators					
Total available reserves ($000)			13,807	8,368	8,715
Available reserves % of operating expenditures	Strong		26.0	15.3	16.3
Total government cash % of governmental fund expenditures			37.9	33.5	28.2
Operating fund result % of expenditures			10.2	(0.7)	(2.4)
Financial Management Assessment	Standard				
Enrollment		3,804	3,837	4,079	4,142
Debt and long-term liabilities					
Overall net debt % of market value	Moderate	3.0	2.0	2.2	2.7
Overall net debt per capita ($)	Moderate	2,528	1,455	1,654	1,672
Debt service % of governmental fund noncapital expenditures	Moderate	10.3	11.8	7.1	7.1
Direct debt 10-year amortization (%)	Average	56.0	90.0	88.0	93.0
Required pension contribution % of governmental fund expenditures			7.0	7.2	7.4
OPEB actual contribution % of governmental fund expenditures			0.0	0.0	0.0
Minimum funding progress, largest pension plan (%)			116.3	85.6	90.6

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022