

# RatingsDirect®

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## Summary:

# Sioux City, Iowa; General Obligation

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## Table Of Contents

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Credit Highlights

Outlook

Related Research

## Summary:

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### Credit Profile

US\$17.235 mil GO bonds ser 2023A due 06/01/2033

*Long Term Rating*

AA/Stable

New

US\$2.525 mil taxable GO bonds ser 2023B due 06/01/2033

*Long Term Rating*

AA/Stable

New

Sioux City taxable GO cap loan notes ser 2020D dtd 06/18/2020 due 06/01/2025

*Long Term Rating*

AA/Stable

Affirmed

Sioux City GO cap loan notes ser 2020C dtd 06/18/2020 due 06/01/2025

*Long Term Rating*

AA/Stable

Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Sioux City, Iowa's approximately \$17.235 million series 2023A general obligation (GO) bonds and \$2.525 million series 2023B taxable GO bonds.
- At the same time, we affirmed our 'AA' rating on the city's existing GO debt.
- The outlook is stable.

### Security

The city's GO pledge secures the 2023A and 2023B bonds, payable from unlimited ad valorem taxes. Bond proceeds will be used for various capital improvement projects.

### Credit overview

Sioux City continues to have stable operations, with general fund reserves consistently meeting the fund balance policy target. The city's economic indicators are a credit weakness, although its role as a regional center and anchor of the Sioux City metropolitan statistical area (MSA) provides rating stability, in addition to continuing commercial and residential growth. While its debt profile remains weak, the city amortizes its debt rapidly, which is a credit strength.

The city had positive results in its general fund and total governmental funds for fiscal 2022, due to increases in its local option sales tax collections and charges for services. The city also holds about \$28 million in American Rescue Plan Act (ARPA) funds, which will be spent on infrastructure projects.

Officials structured a balanced budget for fiscal 2023, but are expecting a surplus of approximately \$4.7 million in the general fund due to expected increases in charges for services and intergovernmental revenue in the form of grants for which they haven't budgeted. Officials also indicate that the city has increased its levy from \$15.4195 to \$15.7649, which covers the revenue loss of \$655,000 from property tax rollbacks in the state. The recently approved budget for fiscal 2024 is also structured to be balanced.

The city has approximately \$143.7 million in net direct debt outstanding, which amortizes rapidly, leading to elevated

debt service carrying charges. Management reports that it has plans to issue about \$20 million in new-money debt in each of the next two years. We note the city has privately placed state revolving fund loans to finance drinking water facilities, and expects to issue additional privately placed state revolving fund debt in the near term to fund upgrades for the treatment plant. The SRF loans are fixed-rate, fully amortizing loans with no acceleration provisions, and do not pose risk to the city's liquidity, in our view.

The rating reflects our opinion of the city's:

- Stable local economy, which continues to experience expansion in both commercial and residential sectors. As a result of residential and commercial growth, the city's market value has reached \$6 billion, with more growth expected;
- History of balanced operations, with the city continuing to maintain general fund reserves in compliance with its fund balance policy of holding 12%-20% of expenditures;
- Strong financial policies and practices under our financial management assessment (FMA), highlighted by the city's use of long-term financial projections it updates every year, a formal capital improvement plan, a formal investment policy, and a robust debt management policy limiting debt outstanding to 70% of the statutory limit, coupled with a strong institutional framework; and
- Modest pension and other postemployment benefits (OPEB) costs as a share of total spending, which is not likely to increase significantly in the medium term, especially given the pension plan's strong funded status.

### **Environmental, social, and governance**

We have analyzed the city's environmental, social, and governance (ESG) risks relative to its economy, management, financial measures, and debt and liability profile, and determined all are neutral in our credit rating analysis. We also note that the city previously experienced issues with flooding, but has taken steps, such as improvements to water plants and wells, and the purchase of pumps, to mitigate future flood risk.

## **Outlook**

The stable outlook reflects our expectation that the city will maintain balanced operations and maintain reserves within the range of its formal fund balance policy during the two-year outlook horizon.

### **Downside scenario**

We could take negative rating action if budgetary performance were to weaken, leading to weaker budgetary flexibility.

### **Upside scenario**

We could take positive rating action if the city's economic indicators and debt and contingent liability profile were to strengthen to levels we consider comparable with those of higher-rated peers.

## Sioux City--Key credit metrics

	Most recent	Historical information		
		2022	2021	2020
Weak economy				
Projected per capita EBI % of U.S.	80.6			
Market value per capita (\$)	74,779			
Population		82,838	82,838	82,319
County unemployment rate (%)	4.3			
Market value (\$000)		6,194,552	5,877,693	5,377,635
Top 10 taxpayers % of taxable value	11.7			
Strong budgetary performance				
Operating fund result % of expenditures		3.1	3.1	3.2
Total governmental fund result % of expenditures		10.4	1.6	7.8
Very strong budgetary flexibility				
Available reserves % of operating expenditures		23.9	21.0	17.7
Total available reserves (\$000)		17,272	14,402	12,352
Very strong liquidity				
Total government cash % of governmental fund expenditures		129.2	96.0	70.3
Total government cash % of governmental fund debt service		761.7	498.5	338.0
Very strong management				
Financial Management Assessment	Strong			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		17.0	19.3	20.8
Net direct debt % of governmental fund revenue	101.9			
Overall net debt % of market value	3.1			
Direct debt 10-year amortization (%)	89.0			
Required pension contribution % of governmental fund expenditures		6.8		
OPEB actual contribution % of governmental fund expenditures		0.0		
Strong institutional framework				

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

## Related Research

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

## Ratings Detail (As Of April 27, 2023)

Sioux City GO		
Long Term Rating	AA/Stable	Affirmed
Sioux City taxable GO bnds		
Long Term Rating	AA/Stable	Affirmed

## Ratings Detail (As Of April 27, 2023) (cont.)

Sioux City GO urban renewal bnds

*Long Term Rating*

AA/Stable

Affirmed

Sioux City GO

*Long Term Rating*

AA/Stable

Affirmed

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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