S&P Global Ratings

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Summary:

Jefferson County School District R-V (Dunklin), Missouri; Appropriations; School State Program

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Credit Profile		
US$13.5 mil GO bnds (Missouri Direct Deposit Program) ser 2023A due 03/01/2043		
Long Term Rating	AA+/Stable	New
Underlying Rating for Credit Program	A+/Stable	New
US$7.695 mil GO rfdg bnds (Missouri Direct Deposit Program) ser 2023B due 03/01/2035		
Long Term Rating	AA+/Stable	New
Underlying Rating for Credit Program	A+/Stable	New
Jefferson Cnty Sch Dist R-V (Dunklin) GO qual sch const bnds (tax credit bnds) (Missouri Direct Deposit Program) ser 2009C dtd 10/08/2009 due 03/01/20		
Long Term Rating	AA+/Stable	Affirmed
Underlying Rating for Credit Program	A+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term program-enhanced rating and 'A+' underlying rating for credit program to Jefferson County School District R-V (Dunklin), Mo.'s roughly $13.5 million series 2023A general obligation (GO) school bonds and roughly $7.695 million series 2023B GO refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' long-term program-enhanced rating and 'A+' underlying rating on the district's existing GO debt.
- S&P Global Ratings also affirmed its 'A' long-term rating on the district's certificates of participation (COPs).
- The outlook is stable.

Security

The long-term program-enhanced rating reflects our view of the district's eligibility for, and participation in, the Missouri Direct Deposit of State Aid program. Revenue from an unlimited ad valorem tax on all taxable property in the district also secures the GO bonds.

Officials intend to use series 2023A bond proceeds to finance improvements to Taylor Early Childhood Center, Pevely Elementary School, Senn-Thomas Middle School, and Herculaneum High School and series 2023B bond proceeds to refund series 2015 bonds outstanding for cost savings.

Lease-rental payments by the district, as lessee, to UMB Bank N.A., as lessor, secure the COPs. We rate the COPs one notch lower than the district's general creditworthiness to account for appropriation risk associated with lease payments.

Credit overview

Located just south of St. Louis, the district's local economy ties into the larger metropolitan area and continues to experience population and valuation growth, as well as ongoing development. Within the district, continued housing development has supported positive property value growth; this positions the district to support expected population growth areawide. Enrollment has grown during the past five years due partially to recent residential development. The district is optimistic positive trends will likely continue, for which it has begun to prepare by enhancing programs and adding new facilities.

The district has posted positive operating results during the past three fiscal years, reflecting conservative spending and the receipt of $2.65 million of onetime federal Elementary & Secondary School Emergency Relief (ESSER) II and III funds, primarily spent on learning-loss and onetime costs. Officials balanced the fiscal 2023 budget; management forecasts a fiscal year-end surplus to contribute to reserves, which it expects to maintain at levels that comply with a reserve policy of, at least, 20% of expenditures, supporting our view of credit quality.

The rating reflects our view of the district's:

- Growing local economy that has experienced steady assessed value (AV) growth due to new residential construction and appreciating home values, with management expecting 8.5% AV growth in fiscal 2023;
- Maintenance of strong reserves historically, other than plans to spend down remaining ESSER funds--We expect reserves will likely remain strong because there are no plans to draw down reserves;
- Standard financial-management policies, practices under our Financial Management Assessment (FMA) methodology, reflecting its frequent budgetary-performance and investment-management-holdings reports to the governing board, albeit with only informal multiyear forecasting; and
- Moderate debt with no additional debt plans, albeit with slow principal amortization, and manageable pension and other postemployment benefit liabilities due to adequately funded pension liabilities that do not pose medium-term credit risk, in our view--However, we note the district's proportionate net pension liability is not clearly defined in financial statements due to modified-cash reporting.

Environmental, social, and governance

Due to its location near the Mississippi River, the area has flooding-risk exposure that could pose economic and financial risk; however, management maintains processes to minimize this risk. We view social and governance factors as neutral within our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' expectation the district will likely maintain strong reserves. While the district has experienced significant economic development recently, we think rising interest rates and an expected shallow recession could lead to a moderation in new development. (For the second-quarter 2023 economic outlook, see "Still Resilient, Downside Risks Rise," published March 27, 2023, on RatingsDirect.)

Downside scenario

We could lower the rating if financial performance were to deteriorate due to budgetary imbalance or recessionary pressure, resulting in reserves no longer comparable with similar-rated peers.

Upside scenario

We could raise the rating if the local economy were to continue to grow, demonstrated by increasing income and valuation.

Missouri Direct Deposit of State Aid program

The state credit-enhancement rating is one notch below the Missouri GO rating, reflecting our view of:

- State-aid-appropriation risk, which strong state support for the program and consistent, well-established state aid funding partially mitigate;
- Maximum annual debt service coverage on all parity debt by state aid payments we expect will likely remain strong at 4.1x; and
- State-aid-distribution flow and dates for debt-service payments we think result in a strong assessment for timing-and-administrative risk.

Jefferson County School District R-V (Dunklin), Missouri key credit metrics

	Characterization	Most recent	--Historical information--		
			2022	2021	2020
Economic indicators					
Population				10,401	10,376
Median household effective buying income (EBI) as a % of U.S.	Good			99.0	95.0
Per capita EBI as a % of U.S.	Good			94.0	87.0
Market value ($000)		826,125	807,725	707,100	689,972
Market value per capita ($)	Strong	79,427	77,658	67,984	66,497
Top 10 taxpayers as a % of taxable value	Very diverse	11.2	16.8	16.9	15.2
Financial indicators					
Total available reserves ($000)			6,192	4,950	4,579
Available reserves as a % of operating expenditures	Strong		30.7	26.9	25.6
Total government cash as a % of governmental fund expenditures			33.7	25.8	33.2
Operating fund result as a % of expenditures			5.9	2.3	3.7
Financial Management Assessment	Standard				
Enrollment			1,757	1,678	1,659
Debt and long-term liabilities					
Overall net debt as a % of market value	Moderate	4.3	3.0	3.4	5.6
Overall net debt per capita ($)	Moderate	3,454	2,297	2,321	3,754
Debt service as a % of governmental fund noncapital expenditures	Low		6.8	4.9	4.9
Direct debt 10-year amortization (%)	Slower than average	44.0	68.0	63.0	59.0

Jefferson County School District R-V (Dunklin), Missouri key credit metrics (cont.)

	Characterization	Most recent	--Historical information--		
			2022	2021	2020
Required pension contribution as a % of governmental fund expenditures			7.1	5.4	5.9
Other postemployment benefits actual contribution as a % of governmental fund expenditures			0	0	0
Minimum funding progress, largest pension plan (%)			107.3	116.3	85.6

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

Ratings Detail (As Of May 23, 2023)

Jefferson Cnty Sch Dist R-V (Dunklin) rfdg certs of part ser 2021 due 03/01/2032		
Long Term Rating	A/Stable	Affirmed
Jefferson Cnty Sch Dist R-V (Dunklin) GO rfdg and imp bnds		
Long Term Rating	AA+/Stable	Affirmed
Underlying Rating for Credit Program	A+/Stable	Affirmed
Jefferson Cnty Sch Dist R-V (Dunklin) GO St Credit Enhancement		
Long Term Rating	AA+/Stable	Affirmed
Underlying Rating for Credit Program	A+/Stable	Affirmed