

RatingsDirect®

Summary:

Maryville, Missouri; Appropriations; General Obligation

Primary Credit Analyst:

John A Kenward, Chicago (1) 312-233-7003; john.kenward@spglobal.com

Secondary Contact:

David H Smith, Chicago + (312) 233-7029; david.smith@spglobal.com

Table Of Contents

Rationale

Outlook

Related Research

Summary:

Maryville, Missouri; Appropriations; General Obligation

Credit Profile

US\$6.55 mil certs of part ser 2018 due 09/01/2038

<i>Long Term Rating</i>	A+/Stable	New
-------------------------	-----------	-----

Maryville GO (ASSURED GTY)

<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
--------------------------	------------------	----------

Rationale

S&P Global Ratings assigned its 'A+' long-term rating and stable outlook to Maryville, Mo.'s series 2018 certificates of participation (COPs) and affirmed its 'A+' long-term rating, with a stable outlook, on the city's existing COPs.

S&P Global Ratings also affirmed its 'AA-' long-term rating and underlying rating (SPUR), with a stable outlook, on the city's general obligation (GO) debt.

Lease-rental payments made 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 2018 COP proceeds to construct a public-safety facility and fund other capital projects.

Although the COPs are payable from any legally available funds, management reports it will pay series 2018 COP debt service from a voter-approved half-cent capital improvement sales tax.

The GO rating reflects our opinion of the city's:

- Weak economy, with market value per capita of \$46,295 and projected per capita effective buying income at 55.2% of the national level, that benefits from a local stabilizing institutional influence;
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with operating results we expect might not be as strong in the near term relative to fiscal 2017, which closed with balanced operating results in the general fund and an operating surplus at the total-governmental-fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2017 of 27% of operating expenditures;

- Very strong liquidity, with total government available cash at 91% of total-governmental-fund expenditures and 4.8x governmental debt service, and access to external liquidity we consider strong;
- Weak debt-and-contingent-liability position, with debt service carrying charges at 19% of expenditures and net direct debt that is 220.2% of total-governmental-fund revenue, but rapid amortization, with 68.8% of debt scheduled to be retired within 10 years; and
- Adequate institutional framework score.

Weak economy

We consider Maryville's economy weak. The city, with an estimated population of 12,234, is 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 55.2% of the national level and per capita market value of \$46,295. Overall, market value has grown by 2.2% over the past year to \$566.4 million in fiscal 2018. The county unemployment rate was 4.6% in 2016.

Maryville is about 42 miles north of St. Joseph in northwestern Missouri, and it is Nodaway County's seat. We believe Maryville benefits from having Northwest Missouri State University within city limits. The university has 5,200 undergraduate students, which accounts for a significant portion of the city's population; we believe this might somewhat suppress wealth and income. Northwest Technical School is also within city limits, and it serves about 800 students per semester attending evening classes. Maryville's economy benefits from nearby Mazingo Lake Park, a 3,000-acre facility that includes 26 miles of shoreline surrounding a 1,000-acre lake.

Assessed valuation (AV) increased by 5% from fiscal years 2014-2017. The property tax base is very diverse with the 10 leading taxpayers accounting for 8% of AV.

Strong management

We view the city's management as strong, with good financial policies and practices under our FMA methodology, indicating that financial practices exist in most areas but that management might not have formalized or regularly monitor all of them.

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 indicates 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 balanced operating results in the general fund of negative 0.2% of expenditures and surplus results across all governmental funds of 3% of expenditures in fiscal

2017. Our assessment accounts for the fact that we expect budgetary results in fiscal 2018 might not be as strong as fiscal 2017.

Our analysis includes adjustments for one-time general fund revenue and expenditures. Fiscal 2017 results exclude one-time general fund transfers into a recreation-enterprise fund.

Maryville's total-governmental-fund revenue is diverse: Sales taxes accounted for about 41%, property taxes for 16%, and franchise taxes for 13% in fiscal 2017. Each of these revenue sources has demonstrated stable and steady growth during the past three fiscal years.

The adopted fiscal 2018 budget reflects the use of \$290,000 of general fund reserves, mostly for capital projects. However, the city has historically budgeted very conservatively; it typically ends the fiscal year with better-than-budgeted results.

Due to management's expectations for fiscal 2018, we believe budgetary performance will likely remain, at least, adequate during the next fiscal year.

Very strong budgetary flexibility

Maryville's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2017 of 27% of operating expenditures, or \$1.3 million.

Flexibility includes assigned and unassigned general fund balance. Due to management's expectations for fiscal 2018, we believe budgetary flexibility will likely remain very strong during the next fiscal year.

Very strong liquidity

In our opinion, Maryville's liquidity is very strong, with total government available cash at 91% of total-governmental-fund expenditures and 4.8x governmental debt service in fiscal 2017. In our view, the city has strong access to external liquidity if necessary.

Liquidity includes \$7.24 million in unrestricted cash and equivalents in the governmental and enterprise funds at fiscal year-end 2017. We believe the city's recent issuance of GO bonds and lease-rental COPs demonstrates its strong access to external liquidity.

Maryville's investments comply with Missouri statutes and its internal policy. Investments mainly include bank accounts, certificates of deposit, and money-market mutual funds. We understand it does not have any contingent liabilities that could lead to a deterioration of very strong liquidity. The city does not have any direct-purchase, private-placement, or bank-loan debt that could pressure liquidity. Due to management's expectations for fiscal 2018, we believe liquidity will likely remain very strong during the next fiscal year.

Weak debt-and-contingent-liability profile

In our view, Maryville's debt-and-contingent-liability profile is weak. Total-governmental-fund debt service is 19% of total-governmental-fund expenditures and net direct debt is 220.2% of total-governmental-fund revenue, excluding self-supporting debt. Approximately 68.8% of direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor.

Management reports that, except for a small amount of equipment leases, it does not currently have additional GO or lease debt plans.

Maryville's pension contributions totaled 3.5% of total-governmental-fund expenditures in fiscal 2017. The city made its full annual required pension contribution in fiscal 2017.

Maryville participates in the Missouri Local Government Employees' Retirement System (LAGERS), an agent multiemployer, 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 asset was, at June 30, 2017, \$704,877 with a funded ratio of 105%. The city's employer contribution to LAGERS was \$291,186 in fiscal 2017. We understand the city does not provide other postemployment benefits.

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 will likely 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

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

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2017 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of April 20, 2018)

Maryville certs of part
Long Term Rating

A+/Stable

Affirmed

Ratings Detail (As Of April 20, 2018) (cont.)		
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
Many issues are enhanced by bond insurance.		

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 for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2018 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.