

# RatingsDirect®

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## Summary:

# Raytown, Missouri; Appropriations

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## Table Of Contents

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Rationale

Outlook

Related Criteria And Research

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### Credit Profile

Raytown (Live Redev Plan Proj) ser 2007

*Long Term Rating*

A+/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services affirmed its 'A+' long-term rating on Raytown, Mo.'s series 2007 appropriation-supported tax increment and sales tax revenue bonds, reflecting a pledge of payments in lieu of taxes and incremental sales tax revenues from the Raytown Live Redevelopment Project Area 1. To the extent that these revenues fall short of annual debt service, any legally available funds are also pledged to the bonds, subject to annual appropriation. The outlook is stable.

The rating further reflects the following assessment of the city:

- Adequate economy, with projected per capita effective buying income at 85.1% and market value per capita of \$45,876, that is gaining advantage from access to a broad and diverse metropolitan statistical area (MSA);
- Adequate management, with "standard" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with an operating surplus in the general fund but an operating deficit at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 42% of operating expenditures;
- Very strong liquidity, with total government available cash of 57.4% of total governmental fund expenditures and 4.1x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges of 13.9% of expenditures and net direct debt that is 177.3% of total governmental fund revenue, as well as overall net debt we consider high because sufficiently current overlapping debt figures are not available; and
- Adequate institutional framework score.

### Adequate economy

We consider Raytown's economy adequate. The city, with an estimated population of 28,979, is located in Jackson County in the Kansas City, Mo-Kan. MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 85.1% of the national level and per capita market value of \$45,876. The county unemployment rate was 7.1% in 2014.

Raytown is a mature, 10.4-square-mile mostly residential city located southeast of downtown Kansas City, Mo. Residents have access to employment throughout the Kansas City metropolitan area economy, which is well diversified among communication, government, health care, education, and manufacturing employment.

### **Adequate management**

We view the city's management as adequate, with "standard" financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some but not all key areas.

Highlights include Raytown's formal fund balance policy of 17% of expenditures, which the city has regularly adhered to over the years. The city provides council with investment reports but does not have a formalized debt policy. Historically, the city has prepared comprehensive long-term capital and financial plans.

### **Adequate budgetary performance**

Raytown's budgetary performance is adequate in our opinion. The city had surplus operating results in the general fund of 4.2% of expenditures, but a deficit result across all governmental funds of negative 1.7% in fiscal 2014.

The city is projecting a general fund operating surplus of \$128,000 for fiscal 2015. We expect that total governmental funds for fiscal 2015 will be similar to fiscal 2014, with an operating deficit. For fiscal 2016, the city is budgeting for break-even general fund results.

### **Very strong budgetary flexibility**

Raytown's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 42% of operating expenditures, or \$5.3 million. We expect the available fund balance will remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

The city is expecting to post a general fund surplus for fiscal 2015 and at least break-even results in fiscal 2016. As a result, we expect reserves will remain very strong.

### **Very strong liquidity**

In our opinion, Raytown's liquidity is very strong, with total government available cash of 57.4% of total governmental fund expenditures and 4.1x governmental debt service in 2014. In our view, the city has strong access to external liquidity if necessary.

The city is not expecting liquidity to decline. Raytown has issued tax increment bonds and revenue bonds in recent years.

### **Very weak debt and contingent liability profile**

In our view, Raytown's debt and contingent liability profile is very weak. Total governmental fund debt service is 13.9% of total governmental fund expenditures, and net direct debt is 177.3% of total governmental fund revenue. Negatively affecting our view of the city's debt profile is its overall net debt burden we consider high because sufficiently current overlapping debt figures are not available.

The city is not expecting to issue additional debt in the near term. However, information on overlapping debt could not be obtained and was not provided by the issuer.

Raytown's combined pension and other postemployment benefit contributions totaled 6.2% of total governmental fund expenditures in 2014. The city made its full annual required pension contribution in 2014.

The city participates in the Missouri Local Government Employees Retirement System, a multiple-employer defined

benefit pension plan.

### **Adequate institutional framework**

The institutional framework score for Missouri municipalities is adequate.

## **Outlook**

The stable outlook reflects our expectation that the city will continue to operate with very strong general fund reserve levels that are aligned with its formal policy, despite the potential for drawdowns should incremental revenues pledged to the series 2007 bonds underperform. We do not expect to change the rating within the two-year outlook horizon, as we expect the city's flexibility and liquidity to remain very strong. A lower rating could occur should performance and the economy weaken. A higher rating would reflect sustained improvement in performance, better economy indicators and a lower debt burden.

## **Related Criteria And Research**

### **Related Criteria**

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

### **Related Research**

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Missouri Local Governments

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