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S&P Improves Credit Rating for Raytown Sewerage System

City's bonds move up to stable, affirms 'A+' credit rating

(Raytown, Mo.) — S&P Global Ratings has revised its credit rating on the City of Raytown's Sewerage System Refunding Revenue Bonds, Series 2013, from negative to stable, while simultaneously affirming the '**A+** credit rating' on the debt.

According to S&P's report, the improved outlook reflects "the City's team making rate adjustments to improve coverage and liquidity levels, informing our view of stabilizing utility operations after multiple years of reserve draws." S&P also notes that the system's financial operations have shown improvement over the past three years, a trend that it expects will continue with strong debt service coverage ratios that are "likely to see further improvement beginning in 2022."

The credit agency provided the system with a good financial management assessment, noting "thorough revenue and expense assumptions, budget monitoring, informal long-range financial planning as reflected in the system's rate study, and suitable capital planning including costs." The report also notes the system's "robust liquidity position" and "manageable capital improvement plan," which focuses heavily on replacing critical system components and the maintenance of current system assets.

S&P indicated that it expects to see the City "resume raising rates in line with its rate study completed in 2018." The City enacted a moratorium on additional rate increases in 2020 and 2021 in response to the pandemic.

"We are very pleased with the revised rating outlook," said Finance Director Russ Petry. "The City has worked diligently in recent years to maintain healthy utility operations and to formulate a sound capital improvement plan, all while keeping utility rates affordable and addressing pandemic-related challenges. It's encouraging to see these efforts acknowledged by S&P and reflected in an improved rating outlook."

The City is currently working with its financial advisor, Columbia Capital Management, on evaluating the potential refinancing of the Series 2013 Bonds to produce interest savings for the City.

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