

RatingsDirect®

Summary:

Parkville, Missouri; Appropriations; General Obligation

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Credit Profile

US\$5.45 mil ltd GO bnds (Brush Creek Dr Area NID Proj) ser 2014A due 03/01/2034		
<i>Long Term Rating</i>	AA-/Stable	New
US\$3.835 mil ltd GO bnds (Brink Meyer Road NID Proj) ser 2014B due 03/01/2034		
<i>Long Term Rating</i>	AA-/Stable	New
Parkville ICR		
<i>Long Term Rating</i>	AA/Stable	Upgraded
Parkville certs of part ser 2006		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services raised its issuer credit rating (ICR) to 'AA' from 'AA-' on Parkville, Mo. based on the application of our local general obligation (GO) criteria released Sept. 12, 2013. At the same time, we raised our underlying rating (SPUR) to 'AA-' from 'A+' on the city's series 2006 certificates of participation, and our long-term rating to 'AA-' from 'A+' on the city's series 2010 limited GO neighborhood improvement district refunding bonds, also based on the application of our criteria. We also assigned an 'AA-' long-term rating to the city's series 2014 limited GO neighborhood improvement district bonds. The outlook is stable.

The series 2014A bond proceeds will refund the city's series 2013B renewal temporary notes, the proceeds of which financed infrastructure projects in the Brush Creek Drainage Area district. Similarly, the series 2014B bond proceeds will refund the city's series 2013A renewal temporary notes, the proceeds of which financed infrastructure projects in the Brink Meyer Road district. To the extent that special assessments levied on real property within the city's neighborhood improvement districts are insufficient to pay debt service, the city's limited GO pledge to make payment from legally available current revenue or surplus funds ultimately secures the series 2014 bonds. The city may not impose any new or increased ad valorem property taxes to pay debt service on the bonds without electorate authorization. Because of the security's limited nature, we rate the series 2014 bonds, as well as the series 2010 bonds, one notch lower than the 'AA' ICR.

To mitigate the risk of delinquent special assessments, the city will create two debt service reserve funds for the series 2014 bonds to be cash funded with bond proceeds. In fiscal 2014 the city will begin collecting special assessments, with principal payments on the bonds beginning in 2017. In our opinion, this will allow the city ample time and flexibility to manage potential deficiencies in the collection of special assessments.

The 'AA' ICR reflects our assessment of the following factors for the city:

- Very strong economy, which benefits from participation in the broad and diverse Kansas City metropolitan area economy;
- Very strong budgetary flexibility with 2012 audited available reserves at 28.7% of adjusted general fund expenditures;
- Adequate budgetary performance;
- Very strong liquidity providing very strong cash to cover both debt service and expenditures;
- Strong management with good financial policies and practices; and
- Very weak debt and contingent liability position.

Very strong economy

Parkville is a primarily residential community 10 miles northwest of Kansas City in Platte County. The city's population is estimated at 5,719, representing solid growth of nearly 49% since 2000. In our opinion, residents benefit from participation in the broad and diverse Kansas City metropolitan statistical area, which spans Missouri and Kansas. The city's per capita effective buying income was 149.2% of the national average in 2013, and this is projected to increase to 151% by 2018. According to the Bureau of Labor Statistics, the Platte county unemployment rate was 5.9% in 2013, below the state's 6.5% rate and the nation's 7.4% rate. Assessed valuation (AV) has grown at an annual average of 2.2% during the past three years, and equaled \$190.3 million in fiscal 2013. Estimated market value is approximately \$868.2 million, which equates to \$151,810 per capita. The property tax base is very diverse, with the 10 leading taxpayers accounting for 8.4% of total AV. Management anticipates that new commercial and residential development within the city should contribute to further increases in the city's tax base during the next several years.

Very strong budgetary flexibility

In our opinion, Parkville's budgetary flexibility is very strong. In addition to its general fund, the city has unrestricted reserves in its emergency reserve fund. On an audited basis, the city had \$1.2 million in available reserves between the two funds, representing an estimated 28.7% of adjusted general fund expenditures and transfers-out in fiscal 2012 (ended Dec. 31). On an unaudited basis, the total available balance increased to an estimated \$1.79 million in fiscal 2013 (48.9% of expenditures and transfers-out). The city has a formal policy to maintain the general fund balance at 5% to 15% of expenditures and the emergency reserve fund at 25% of expenditures. Projections show that the total available balance will increase to an estimated \$1.83 million in fiscal 2014, with no plans to significantly draw this down in subsequent years. Based on these projections, we believe the city's budgetary flexibility will remain very strong. The city has been building reserves in part to protect against potential delinquent assessments in the Brush Creek and Brink Meyer Neighborhood Improvement districts.

Adequate budgetary performance

In our view, Parkville's budgetary performance was weak in fiscal 2012, but we anticipate that it will improve. On an audited basis, the city posted a \$33,000 general fund operating deficit in fiscal 2012. We believe the deficit would have been larger without the one-time receipt of flood-related reimbursements from the Federal Emergency Management Agency. In addition, the city received \$1.075 million from a legal settlement related to the collapse of a retaining wall in the Brink Meyer Road district. After adjusting for these one-time revenue, we estimate the city would have ended the year with a 5.1% deficit for total governmental funds.

On an unaudited basis, the city ended fiscal 2013 with an estimated 10.2% surplus for the general fund and a 7.0% surplus for total governmental funds. Management attributes the general fund surplus to personnel cost savings from

leaving several positions vacant for an extended period. The city also made a \$450,000 transfer from the general fund to its emergency reserve fund. The city will transfer another \$317,000 to this fund in 2014, and projects ending the year with a \$281,000 general fund deficit after transfers. The city also anticipates ending the year with a small deficit for total governmental funds following a planned use of reserves for capital projects. Management projects ending 2015 with at least balanced operating results across all funds. Property taxes accounted for 25% of general fund revenue in 2012, followed by franchise taxes (20%) and sales taxes (19%). According to management, sales tax revenue increased about 4.5% in 2013. The city budgeted for less than 1% growth in 2014, but sales tax receipts are exceeding this.

Very strong liquidity

Supporting the city's finances is liquidity we consider very strong, with total government available cash at 80.4% of total governmental fund expenditures and 448.6% of total governmental fund debt service. The city had \$4.76 million in total government cash in fiscal 2012. Based on past issuance of debt, we believe that the city has strong access to capital markets to provide for liquidity needs if necessary.

Strong management practices and policies

We consider Parkville's management conditions strong with "good" financial practices under our financial management assessment (FMA) methodology, indicating our view that financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis. Strengths include strong oversight in terms of monitoring progress against the budget during the year, the recent creation of five-year financial projections for major funds, a six-year capital plan that is updated on an annual basis, monthly reporting of investments, and a formal reserve policy. Management plans to implement a debt policy by the end of 2014.

Very weak debt and contingent liability profile

In our opinion, the city's debt and contingent liability profile is very weak, with total governmental fund debt service at 17.9% of total governmental fund expenditures and with net direct debt at 290.9% of total governmental fund revenue. Overall net debt to market value was 3.5% in 2014. Fifty-three percent of the city's debt is scheduled to be retired within 10 years. It is our understanding that the city has no plans to issue additional debt in the medium term. All eligible city employees participate in a multi-employer defined benefit pension plan administered by the Missouri Local Government Employees Retirement System. The city made all pension contributions as required by state statute in fiscal 2012, equaling \$61,000, or 1% of total governmental funds expenditures. The city does not offer other postemployment benefits.

Outlook

The stable outlook reflects our belief that the city will maintain very strong budgetary flexibility and liquidity in the two-year outlook horizon. We believe that the city, supported by strong management practices and policies, will make the budgetary adjustments it deems necessary to maintain structural balance. If budgetary performance were to worsen, leading to a significant draw on reserves, we could lower the rating. In the long term, we could raise the rating if the city is able to maintain balanced operations while managing its debt service carrying costs and capital needs.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- U.S. State And Local Government Credit Conditions Forecast, April 7, 2014
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of April 29, 2014)

Parkville neighborhood imp dist ltd GO rfdg bnds (River Pk Proj)

Long Term Rating

AA-/Stable

Upgraded

Many issues are enhanced by bond insurance.

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