STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Monett, Missouri; Appropriations; General Obligation

Primary Credit Analyst:
David H Smith, Chicago (312) 233-7029; david.smith@standardandpoors.com

Secondary Contact:
John A Kenward, Chicago (1) 312-233-7003; john.kenward@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Monett, Missouri; Appropriations; General Obligation

Credit Profile		
Monett City certs of part		
Long Term Rating	A/Positive	Affirmed
Monett City ICR		
Long Term Rating	A+/Positive	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'A+' issuer credit rating (ICR) on Monett, Mo. At the same time, we affirmed our 'A' long-term rating on the city's taxable certificates of participation (COPs). The outlook is positive.

The city's covenant to annually appropriate rent payments from any legally available funds sufficient to pay debt service secures the COPs. Our 'A' rating on the COPs is one notch below the 'A+' GO rating given the annual appropriation risk and lack of a full faith and credit property tax pledge.

The rating reflects our assessment of the following factors for the city:

- We consider Monett's budgetary performance adequate. Including interfund transfers from utility funds and excluding one-time capital expenditures, the city ended fiscal 2014 with a general fund surplus of 6.9% and a total governmental funds deficit of 3.1%. The city reports that the electric, waterworks, sewer, and fiber utility funds make annual transfers, which includes transferring 10% of gross utility revenue in lieu of taxes, to support general fund expenses. For fiscal 2015, the city is projecting a surplus of $82,000 in the general fund.
- In our opinion, Monett's budgetary flexibility remains very strong, with available reserves (unassigned general fund balance and unrestricted electric, sanitation, and fiber utility funds' cash balance) above 30% of general fund expenditures for the past fiscal three years. Management reports that the cash balances in these three utility funds can be used to support general fund operations, if required, with approval from the city council. Audited fiscal 2014 (March 31) available reserves were $6.5 million, or 84% of adjusted general fund expenditures. The general fund available fund balance alone was $1.26 million. We believe the city will maintain very strong budgetary flexibility for the next couple of years, bolstered by its utilities' cash reserves.
- Supporting the city's finances is very strong liquidity, with total government unrestricted cash and cash equivalents, 65% of total governmental fund expenditures and 224% of debt service. We believe the city has exceptional access to external liquidity, supported by its history of various debt issuances at regular intervals over the past 20 years.
- We view the city's management conditions as strong with good financial practices. We understand Monett has a formal policy to maintain at least 8% to 10% of general fund revenue in reserves and management expects to continue meeting this target over the next two to three years.
- In our view, the city's economy is weak, with the projected per capita effective buying income at 71% of U.S. and per capita market value of $56,022. The city serves an estimated population of 9,016 in Barry County. Monett is 48 miles southwest of Springfield, but we understand that most of the population works in or near the city.

- The city's debt and contingent liability profile is strong, in our opinion, with total governmental fund debt service at 29% of total governmental fund expenditures, and net direct debt, excluding debt supported by utility revenue, at 63.6% of total governmental fund revenues. We consider debt amortization rapid, with 76.6% of direct debt set to mature over the next 10 years. Management reports that it may issue utility revenue bonds for improvements to its wastewater treatment plant. Pursuant to our local GO criteria, the city also receives additional credit for its overall net debt as a percentage of market value being below 3%.
- The city participates in the Local Government Employees Retirement System, an agent multiemployer public employee retirement system, and its fiscal 2014 contribution translated to 6.1% of total governmental fund expenditures. As of Feb. 29, 2013, the pension plan was 88% funded with an unfunded actuarial accrued liability of $1.6 million. The city provides no retiree health care benefits.
- We consider the Institutional Framework score for Missouri cities adequate.

Outlook

The positive outlook on the ICR and long-term rating reflects our expectation of a one-in-three chance that we could raise the rating within the next year of the outlook period. If Monett can sustain adequate budgetary performance in fiscal 2015 while demonstrating at least its current level of economic performance, we could raise the rating. At the same time, should budgetary performance weaken or fall short of expectations, we would likely revise the outlook to stable.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

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

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. 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 acknowledgement 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 nonpublic 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 www.spcapitaliq.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.