

RatingsDirect®

Summary:

Liberty, Missouri; Appropriations; General Obligation

Primary Credit Analyst:

Katilyn Pulcher, ASA, CERA, Chicago (1) 312-233-7055; katilyn.pulcher@standardandpoors.com

Secondary Contact:

Elizabeth Bachelder, Chicago (1) 312-233-7006; elizabeth.bachelder@standardandpoors.com

Table Of Contents

Rationale

Outlook

Summary:

Liberty, Missouri; Appropriations; General Obligation

Credit Profile

US\$6.175 mil GO bnds ser 2013 due 03/01/2030

Long Term Rating

AA/Stable

New

US\$2.525 mil spl oblig rfdg & imp bnds ser 2013 due 12/01/2023

Long Term Rating

AA-/Stable

New

Rationale

Standard & Poor's Ratings Services raised its long-term rating on Liberty, Mo.'s previously rated general obligation (GO) bonds to 'AA' from 'AA-' and its long-term rating and underlying rating (SPUR) on the city's appropriation-backed debt to 'AA-' from 'A+'. The rating action is based on our recently released local GO criteria. At the same time, we assigned our 'AA' rating to Liberty's series 2013 GO bonds and our 'AA-' rating to its series 2013 special obligation refunding and improvement bonds. The outlook on all the ratings is stable.

A pledge of the city's full faith credit and resources and an agreement to levy ad valorem property taxes without limitation as to rate or amount secure the GO bonds. The 'AA-' rating on the city's appropriation-backed debt is one notch below the GO rating due to the annual appropriation risk and lack of a full faith and credit or unlimited ad valorem tax pledge. We understand city officials intend to use series 2013 special obligation bond proceeds to current refund Liberty's series 2003 leasehold revenue bonds for interest cost savings and to purchase police vehicles, in-car video systems, a utility dump truck, and a public safety radio system. We understand series 2013 GO bond proceeds will be used to fund two road projects.

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

- Adequate economy, which benefits from participation in the broad and diverse Kansas City Metropolitan Statistical Area (MSA);
- Very strong budgetary flexibility, with 2012 available reserves at 27% of general fund expenditures;
- Strong budgetary performance, with near break-even operations in both the general and total governmental funds;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Strong management with good financial policies and practices; and
- Adequate debt and contingent liabilities position, bolstered by its rapid amortization.

Adequate economy

We consider Liberty's economy adequate with access to the broad and diverse Kansas City MSA. Liberty serves as the seat of Clay County and is about 15 miles north of downtown Kansas City. Unemployment in Clay County averaged 6.4% in 2012, below the metropolitan area (6.6%), state (6.9%), and national (8.1%) averages. The city has projected per-capita effective buying income of 106% of the U.S. level. Per-capita market value for the city is \$67,102. Assessed

value (AV) decreased by an average rate of 2% annually for three years in a row, briefly stabilized in 2012, and dropped again in 2013 due to revaluation. AV currently measures \$457 million, and management expects a modest increase in 2014.

Very strong budgetary flexibility

In our opinion, the city's budgetary flexibility is very strong, with available reserves in the general, capital sales tax, and utility funds above 15% of expenditures for the past several years and no plans to significantly spend them down. For audited fiscal 2012, available reserves were \$4.2 million, or 27% of expenditures. Reserves are expected to be 24% of expenditures in fiscal 2013 and 23% in 2014. Liberty carries high reserves given its heavy reliance on sales tax revenues, although they have been stable in recent years. The general fund budget is supported by a diverse revenue stream, including property taxes, franchise fees, and sales taxes.

Strong budgetary performance

The city's budgetary performance has been strong overall, in our view, with a surplus of 0.3% in the general fund in fiscal 2012 but a slight deficit of 0.9% in the total governmental funds. Liberty is also projecting near break-even results in both fiscal years 2013 and 2014 in its general and total governmental funds, so we do not anticipate a change in our view of the budgetary performance. We also understand the city does not have any upcoming deferred payments on a cash basis.

Very strong liquidity

Supporting Liberty's finances is liquidity we consider very strong, with total government available cash at 48% of total governmental fund expenditures and over 4x debt service. We believe the city has exceptional access to external liquidity. It has issued bonds frequently during the past 15 years, including GO, special obligation, special assessment, leasehold revenue, and tax-increment financing bonds; capital leases; and Missouri Department of Natural Resources loans.

Strong management conditions

We view Liberty's management conditions as strong, with good financial practices and policies. Management reviews revenues and expenditures monthly and provides the city council with a monthly budget report. The city maintains a five-year capital improvement plan, which identifies funding sources for each project, and updates it multiple times each year. Long-term financial planning is also employed and reviewed with city council multiple times per year. The city makes investments according to its own investment policy, and management provides the council with monthly investment reports. While Liberty does not have a formal debt management policy, it recently adopted a formal fund balance policy. The policy establishes minimum fund balances in its general fund, parks fund, and capital improvement funds of 18% of operating revenues, 10% of operating revenues, and \$1 million, respectively, all of which it was meeting at fiscal year-end 2012.

Adequate debt and contingent liability profile

In our opinion, Liberty's debt and contingent liability profile is adequate, with total governmental fund debt service at 11% of total governmental fund expenditures and with net direct debt at 136% of total governmental fund revenue. The city does not have any debt plans for the next two years beyond a potential \$95 million sewer revenue bond, which we typically consider fully self-supporting, so we do not expect these figures to rise. Liberty has fully self-supporting enterprise debt outstanding and has used bonds to upgrade and modernize its infrastructure before.

Liberty participates in the Missouri Local Government Employees' Retirement System, a defined-benefit pension plan. The city's \$901,000 contribution to the plan over the 12 months ended Dec. 31, 2012 was equal to state requirements, but given the state's limitations on annual pension cost increases, the actuarial required contribution was only 91% funded. The plan had an 83% funded ratio as of its last valuation date (Feb. 29, 2012). Liberty does not pay for any portion of retiree health care premiums, but allows employees to stay in its health insurance plan on retirement and continue to pay active premium rates. As such, a portion of the city's contributions to the health care plan for active employees constitutes an implicit subsidy contribution on behalf of its retirees. In 2012, this other postemployment benefit (OPEB) implicit subsidy contribution totaled \$9,000. The combined annual required pension and OPEB pay-as-you-go costs for fiscal 2012 were less than 10% of expenditures, and the city does not anticipate these costs will increase substantially in the near term.

Adequate institutional framework

We consider the institutional framework score adequate for Missouri municipalities. (See the Institutional Framework score for Missouri.)

Outlook

The stable outlook reflects our view of Liberty's very strong budgetary flexibility and liquidity, which is supported by strong management. We do not expect to revise the rating in the next two years because we believe the city will maintain at least adequate budgetary performance and continue to participate in the broad and diverse Kansas City MSA. Rating stability also reflects Liberty's strong underlying tax base, which supports a steady and diverse array of property taxes, franchise fees, and sales taxes.

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: 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

Ratings Detail (As Of November 27, 2013)		
Liberty spl oblig		
<i>Long Term Rating</i>	AA-/Stable	Upgraded
Liberty GO		
<i>Long Term Rating</i>	AA/Stable	Upgraded
Liberty Pub Fac Auth, Missouri		
Liberty, Missouri		
Liberty Pub Fac Auth (Liberty) lsehold rev rfdg & imp bnds (Liberty Comnty Ctr) ser 2003 dtd 01/15/2003 due		

Ratings Detail (As Of November 27, 2013) (cont.)

04/01/2004-2013 2018

Unenhanced Rating

AA-(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

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 © 2013 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 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 acknowledgement 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.