

RatingsDirect®

Summary:

Liberty, Missouri; Appropriations; General Obligation

Primary Credit Analyst:

John Sauter, Chicago (1) 312-233-7027; john_sauter@standardandpoors.com

Secondary Contact:

Antionette W Maxwell, Chicago (1) 312-233-7016; antionette_maxwell@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Liberty, Missouri; Appropriations; General Obligation

Credit Profile

US\$9.445 mil GO rfdg and imp bnds ser 2012 due 03/01/2030

Long Term Rating

AA-/Stable

New

Rationale

Standard & Poor's Ratings Services has assigned its 'AA-' long-term rating to the City of Liberty, Mo's general obligation (GO) refunding and improvement bonds, series 2012. Standard & Poor's also affirmed its 'AA-' long-term rating and underlying rating (SPUR) on the city's existing GO bonds and its 'A+' long-term rating and SPUR on the city's appropriation-backed debt. The outlook on all the ratings is stable.

The 'AA-' ratings reflect our view of the city's:

- Participation in the diverse Kansas City, Mo. metropolitan area economy;
- Strong wealth and income indicators; and
- Stable financial operations supported by very strong reserves.

The city's moderate debt burden and elevated debt service carrying charges, which could rise given existing unused voter-authorized GO debt capacity, partially limit these strengths. The lack of more formalized reserve policies and long-term financial planning practices, though we understand both are in consideration for future implementation by management, also limit the rating.

The bonds are a GO of the city, payable from ad valorem property taxes levied without limitation. The 'A+' 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.

Management intends to use bond proceeds to fund various roadway and infrastructure improvements and to advance refund the city's outstanding GO bonds, series 2005, for interest cost savings. The bonds will exhaust the remainder of \$18.5 million in GO bonding capacity approved by voters in 2001 and use a small portion of \$23 million in GO bonding capacity approved in 2008.

Liberty serves as the seat of Clay County and is about 15 miles north of downtown Kansas City, Mo. The city's population grew 28% during the 1990s and another 11.1% during the last decade to 29,149 in 2010. City residents have access to a wide variety of employment opportunities throughout the Kansas City metropolitan area, which is reflected in below-average unemployment levels. Unemployment in Clay County averaged 7.7% in 2011, below the metropolitan area (8.1%), state (8.6%), and national (8.9%) averages. We view the city's income levels, measured as median household effective buying income, as strong at 117% of national levels.

The city's assessed valuation (AV) has decreased each of the past three years, by an annual average of 1.9%, to \$463.47 million in 2011. Management attributes the decreases to falling home values and less personal property, but expects that values have bottomed out. Despite the decreasing AV, we understand that new development remains strong, especially in the city's tax increment financing districts. Management reports that the city still has substantial land available for development. Current market value is \$2.04 billion, or a strong \$70,079 per capita.

Liberty's financial operations remain steady. The city has added to reserves in four of the past five fiscal years, including a \$961,000 surplus in fiscal 2011 that pushed the Dec. 31 unassigned general fund balance to \$3.7 million, or a very strong 23.9% of fund expenditures. The city adopted a balanced fiscal 2012 budget and indicated an expectation of concluding the year with at least break-even operations. We understand that the city has granted limited wage increases, kept vacant positions open, and deferred capital expenditures where possible, all contributing to the recent positive results. The city also recently adopted rate increases in its utility funds, eliminating the need for annual general fund subsidies. The general fund budget is supported by a diverse revenue stream, including property taxes (26% of general fund revenue), franchise fees (25%), and sales taxes (21%).

The city's financial management practices are considered "standard" under Standard & Poor's Financial Management Assessment, indicating that the finance department maintains adequate policies in some, but not all, key areas. The assessment was revised to standard from "good" following clarification on the city's long-term financial forecasting practices. The city currently projects revenues and expenditures for the budget year plus one additional year, which is less than our previous understanding. Officials indicated a plan to move to a longer-term financial forecasting model in the coming years. Management reviews revenues and expenditures monthly and provides the city council with a quarterly budget report. The city plans capital expenditures with the help of a three-year capital improvement plan (CIP) for equipment, streets, and storm water and a separate CIP for the water and sewer systems. The city makes investments according to its own investment policy, and management provides the council with quarterly investment reports. Officials currently target to maintain a general fund balance at a level equal to at least 17% of fund expenditures and have plans on formalizing the target into a policy in the near future.

Liberty's overall debt burden is moderate, in our view, at 5.9% of estimated market value and \$4,153 per capita. Debt service carrying charges are elevated at 18.5% of total governmental funds expenditures, less capital outlay. Amortization is above average, with 63% of debt scheduled to mature within 10 years. We understand that the city has no significant near-term additional debt plans at this time.

Liberty participates in the Missouri Local Government Employees' Retirement System, a defined benefit pension plan. The city's \$775,000 (2.8% of total governmental funds expenditures) contribution to the plan during the 12-month period ended June 30, 2011 was equal to state requirements, but given the state's limitations on annual pension cost increases, the actuarial required contribution was only 82% funded. The plan has an 80% funded ratio and \$3.6 million unfunded actuarial liability. The city does not subsidize any retiree health care benefits at its own cost.

Outlook

The stable outlook reflects our expectation that the city will continue to maintain balanced operations and at least

strong reserves, as well as a manageable debt burden. Rating stability is provided by the city's strong underlying tax base, which supports a steady and diverse array of property taxes, franchise fees, and sales taxes. In our view, the rating could improve should more formalized financial management practices materialize, along with the consistent maintenance of reserves at currently very strong levels. A higher rating could also be considered should tax base growth outpace additional debt issuance and lessen the debt burden. We do not expect to lower the rating within the two-year outlook horizon.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

Ratings Detail (As Of July 10, 2012)		
Liberty spl oblig		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Liberty GO		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
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 04/01/2004-2013 2018		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal 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 © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, 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 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.