

RatingsDirect®

Summary:

St. Louis, Missouri; Appropriations; General Obligation

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<i>Long Term Rating</i>	A+/Stable	Current
St. Louis Mun Fin Corp, Missouri		
St. Louis, Missouri		
St Louis Mun Fin Corp (St. Louis) APPROP		
<i>Long Term Rating</i>	A/Stable	Current

Credit Highlights

- S&P Global Ratings' long-term general obligation (GO) rating, underlying rating (SPUR), and issuer credit rating (ICR) on the City of St. Louis, Mo. is 'A+'.
- S&P Global Ratings' long-term rating and underlying rating (SPUR) on the city's appropriation debt is 'A'.
- The outlook is stable.

Security

Securing the city's GO debt are its full faith, credit, and unlimited taxing powers. St. Louis' appropriation debt is secured by annually appropriated revenues from the city. These obligations are rated one notch below the city's general creditworthiness as reflected in the GO rating to reflect appropriation risk associated with the annual payment.

Credit overview

The rating reflects our view of the city's role as the economic and cultural hub for the St. Louis metropolitan statistical area (MSA). St. Louis' economy centers on the health care, higher education, technology, and professional services sectors. However, the city's persistent trend of declining population represents a continuing demographic challenge. Despite this, recent operational performance has been strong, with a large general fund surplus in fiscal 2021 (fiscal year-end June 30) based on earnings tax revenue that exceeded budget.

For unaudited fiscal 2022, the city states that a \$17 million planned drawdown of American Rescue Plan Act (ARPA) funds was unnecessary given strong earnings tax and sales tax revenue which outperformed budgeted expectations, and officials anticipate a \$24.7 million general fund surplus after transfers to its capital fund. According to management, positive revenue trends relative to budget are continuing in fiscal 2023, which we view as likely. Specifically, officials state that key revenue streams are exceeding estimates and expenditures are tracking below budget for fiscal 2023. The city has received nearly \$500 million in ARPA funds in total.

We note that the revenue composition of the city's major revenue streams in its general fund is primarily made up of economically sensitive revenues, with earnings tax revenue representing 39.8% of general fund revenue in fiscal 2021 and sales tax 8.5%. These revenues could be stressed with the potential for a recession during the next 12 months. (See "Economic Outlook U.S. Q1 2023: Tipping Toward Recession," published Nov. 28, 2022, on RatingsDirect.)

Pursuant to a settlement agreement entered into with the National Football League and Los Angeles Rams, the city anticipates receiving approximately \$250 million--a sizable sum that adds additional flexibility, in our view. It has yet to determine how to spend these settlement funds at this date.

Additional rating factors reflect our opinion of the city's:

- Weak economy at the core of a broad and diverse MSA, offset by significant population decline, with below-average incomes and market value per capita;
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology, including quarterly budget-to-actual updates, a rolling five-year capital improvement plan, and formal reserve policy, and adequate institutional framework;
- Strong budgetary performance, with three consecutive years of operating surplus in the general fund highlighted by strong revenue trends, with very strong available reserves. Positive operational performance is continuing in fiscal 2023, with major tax revenues outpacing the budget; and
- Very weak debt and contingent liability profile, with a large pension and other postemployment benefit (OPEB) obligation exceeding \$1 billion collectively, with the city's police pension plan historically demonstrating moderately weak plan funded ratios, though it improved in 2021. The city may issue approximately \$30 million in additional new-money debt plans within the next two years.

Environmental, social, and governance

The city's significant rate of population decline represents a social capital risk, as a declining population could lead to weaker economic growth and revenue generation for the city. The city's population has declined by 7% since 2010, according to the most recent census data, and we forecast this decline is likely to persist. While historic flooding caused some damage in St. Louis in 2022 and the city lies on the Mississippi River, it does not face elevated flood risk, in our view. Overall, we view environmental and governance risks as being neutral within our credit ratings analysis.

Outlook

The stable outlook reflects our expectation that the city's budgetary performance will likely remain at least balanced despite potential economic headwinds during the two-year outlook horizon.

Downside scenario

We could lower the rating if expenditures outpace revenues during the next two years, leading to a material decline in reserves. In addition, should the city fail to address its large unfunded pension and OPEB liability, a lower rating is possible.

Upside scenario

If the city's trend of declining population ceases, while maintaining strong operations and improving its reserves and improving on or maintaining other credit factors, a higher rating is possible.

St. Louis, MO -- Key Credit Metrics				
	Most recent	Historical information		
		2021	2020	2019
Weak economy				
Projected per capita EBI % of U.S.	92	86		
Market value per capita (\$)	69,746	67,274	66,019	59,386
Population		295,776	297,517	304,510
County unemployment rate(%)		4.5	6.3	2.9
Market value (\$000)	20,629,071	19,897,941	19,641,770	18,083,583
Ten largest taxpayers % of taxable value		10.8		
Strong budgetary performance				
Operating fund result % of expenditures		3.2	2.4	8.3
Total governmental fund result % of expenditures		3.4	1.0	6.1
Very strong budgetary flexibility				
Available reserves % of operating expenditures		28.7	18.6	17.4
Total available reserves (\$000)		143,071	112,018	99,415
Very strong liquidity				
Total government cash % of governmental fund expenditures		49	29	21
Total government cash % of governmental fund debt service		394	232	162
Strong management				
Financial Management Assessment	Good			
Very weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		12.3	12.6	13.3
Net direct debt % of governmental fund revenue		113	133	
Overall net debt % of market value	7.1	8.1		
Direct debt 10-year amortization (%)		57		
Required pension contribution % of governmental fund expenditures		7.5	8.1	
OPEB actual contribution % of governmental fund expenditures		1.3	1.4	
Adequate institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- Credit Conditions North America Q3 2022: Credit Headwinds Turn Stormy, June 28, 2022

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019

Ratings Detail (As Of December 28, 2022)

St. Louis GO (BAM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Current
St. Louis GO (BAM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Current
St Louis Land Clear Redev Auth, Missouri		
St. Louis, Missouri		
St Louis Land Clear Redev Auth (St. Louis) annual approp rev bnds (Scotttrade Ctr Proj)		
<i>Long Term Rating</i>	A/Stable	Current
St Louis Land Clear Redev Auth (St. Louis) spl oblig rfdg bnds (St. Louis) ser 2021A due 04/01/2039		
<i>Long Term Rating</i>	A/Stable	Current
St Louis Land Clear Redev Auth (St. Louis) spl oblig rfdg bnds (St. Louis) ser 2021B due 04/01/2023		
<i>Long Term Rating</i>	A/Stable	Current
St. Louis Mun Fin Corp, Missouri		
St. Louis, Missouri		
St Louis Mun Fin Corp (St Louis) jr lien lse hold rev bnds (Taxable Build America Bnds) (ASSURED GTY)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St Louis) lsehold (Conv Ctr Cap Imp & Conv Ctr Proj) (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St Louis) police cap imp sales tax leasehold (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St Louis) rev bnds (Convention Ctr Cap Imp Proj) (ASSURED GTY)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St Louis) tax-exempt juvenile detention ctr (ASSURED GTY)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St Louis) (Pension Fdg Proj) taxable lsehold (Syncora & AGC)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St. Louis) recre sales tax lsehold rev rfdg bnds (St. Louis) ser 2016 due 02/15/2032		
<i>Long Term Rating</i>	A/Stable	Current
St Louis Mun Fin Corp (St. Louis) Juvenile Detention) (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St. Louis) (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St. Louis) (Carnahan Courthouse)		
<i>Long Term Rating</i>	A/Stable	Current
St Louis Mun Fin Corp (St. Louis) (Energy Efficiency Prog)		
<i>Long Term Rating</i>	A/Stable	Current
St Louis Mun Fin Corp (St. Louis) (Energy Efficiency Prog)		

Ratings Detail (As Of December 28, 2022) (cont.)		
Long Term Rating	A/Stable	Current
St Louis Mun Fin Corp (St. Louis) (Police Cap) (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Current
St Louis Mun Fin Corp (St. Louis) (Refuse Facility & Municipal Garage Proj)		
Long Term Rating	A/Stable	Current
St. Louis Mun Fin Corp (St. Louis) (Convention Ctr Expansion & Imp Proj) GO (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Current
St. Louis Mun Fin Corp (St. Louis) (Convention Ctr) (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Current

Many issues are enhanced by bond insurance.

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