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S&P Upgrades City of Platte City to ‘AA’ rating

August 25, 2014 – Standard and Poor’s Ratings Services (S&P) has upgraded the City’s long term issuer credit rating and general obligation (GO) debt rating to AA with a stable outlook. This change is a one step improvement from the City’s previous AA- rating. An AA rating is the third highest of the 12 possible S&P debt rankings.

“We are pleased to receive the upgrade and recognition of the City’s financial stability,” stated Mayor Frank Offutt. “The AA rating reflects years of stable guidance from the Board of Aldermen, conservative budget practices and close attention to providing high quality but extremely cost effective services to the public.”

S&P revised their credit rating standards for municipal issuers in September 2013 to evaluate overall economy, financial management including budgetary flexibility and performance, debt management and liquidity. In its September 2013 report announcing this change, S&P stated “testing suggests that about 60% of ratings would remain unchanged under the criteria while about 30% of the ratings would increase and about 10% would decrease, generally by one notch.”

“The stable outlook reflects our belief that the City will maintain very strong budgetary flexibility and liquidity,” said S&P Analyst Ben Gallovic. The summary report highlighted the City’s “strong economy” with unemployment rates below the state and national average and noted “budgetary performance is strong”.

The ratings report particularly noted that the City has a history of positive budget outcomes with three consecutive general fund surpluses in 2011, 2012 and 2014 and a budget surplus for 2014. The report also stated that the “city’s budgetary flexibility is very strong. The city has a formally adopted policy requiring at least a 50% general fund reserve, yet management has historically maintained general fund reserves far above this level including ending fiscal year 2013 with the likelihood of maintaining a fund balance above 75% .”

The ratings summary also noted that the “ the city’s management conditions are strong with "good" financial practices under our financial management assessment (FMA) methodology, indicating that the

finance department maintains policies in most of the areas considered most critical in support of credit quality.”

The report did cite areas on which the City could focus to support future ratings upgrades including reducing the revenue risk related to a concentrated sales tax base and in addressing overall net debt which is a combination of City debt and overlapping school district and county debt.

City Finance Officer Marji Gehr said, “We appreciate S&P’s recognition of the City’s strong management and financial practices. S&P staff was responsive and helpful throughout the review process.”

“The City is in a strong financial position. Platte City is very pleased to be among the minority of cities receiving a rating upgrade under S&P’s new ratings policy. This upgrade in our credit rating demonstrates the value of the City’s commitment to economic development activities to improve the City’s sales tax base and to further strengthen our long term financial outlook,” said Mayor Frank Offutt.