

CREDIT OPINION

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Send Your Feedback

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City of Waukee, IA

Update to credit analysis

Summary

[Waukee, IA's](#) (Aa1) credit profile benefits from its ties to the Des Moines metropolitan area, growing population and steady tax base growth. Full value per capita and adjusted resident income are strong. The city's financial profile is healthy, supported by very strong liquidity and healthy available fund balance, which are expected to remain well above 40% despite some draws for capital. The city's long-term liabilities ratio is above Aa rated peers, and expected to remain so given future borrowing plans, while fixed costs are moderate.

Credit strengths

- » Growing tax base with ties to Des Moines metro area and strong resident income and full value per capita
- » Healthy available fund balance and cash ratios

Credit challenges

- » Long-term liabilities ratio somewhat above Aa1 peers after recent issuances, with outstanding future borrowing needs to support the city's growth

Rating outlook

We do not assign outlooks to local governments with this amount of debt.

Factors that could lead to an upgrade

- » Decrease of long-term liabilities ratio to levels well below 150%
- » Increase in available fund balance to levels exceeding 60% of revenue

Factors that could lead to a downgrade

- » Increase in long-term liabilities to levels well above 300% of revenue
- » Declines in available fund balance levels materially below 30% of revenue

Key indicators

Exhibit 1

Waukee (City of) IA

	2020	2021	2022	2023	Aa Medians
Economy					
Resident income ratio (%)	154.6%	156.8%	154.4%	N/A	115.2%
Full Value (\$000)	\$2,548,477	\$2,873,892	\$3,417,040	\$4,315,547	\$2,753,876
Population	22,598	23,441	25,045	N/A	22,803
Full value per capita (\$)	\$112,774	\$122,601	\$136,436	N/A	N/A
Annual Growth in Real GDP	2.5%	6.9%	-2.1%	N/A	4.9%
Financial Performance					
Revenue (\$000)	\$58,144	\$68,231	\$81,016	\$89,340	\$49,930
Available fund balance (\$000)	\$33,276	\$34,310	\$41,898	\$41,263	\$27,007
Net unrestricted cash (\$000)	\$74,679	\$85,139	\$88,913	\$92,258	\$36,277
Available fund balance ratio (%)	57.2%	50.3%	51.7%	46.2%	54.0%
Liquidity ratio (%)	128.4%	124.8%	109.7%	103.3%	75.9%
Leverage					
Debt (\$000)	\$103,219	\$120,797	\$129,131	\$134,185	\$35,831
Adjusted net pension liabilities (\$000)	\$23,793	\$34,209	\$27,351	\$14,052	\$55,367
Adjusted net OPEB liabilities (\$000)	\$486	\$535	\$540	\$571	\$5,248
Other long-term liabilities (\$000)	\$484	\$539	\$606	\$699	\$1,716
Long-term liabilities ratio (%)	220.1%	228.8%	194.6%	167.3%	244.9%
Fixed costs					
Implied debt service (\$000)	\$6,594	\$7,392	\$8,473	\$9,018	\$2,465
Pension tread water contribution (\$000)	\$749	\$918	\$380	\$0	\$1,563
OPEB contributions (\$000)	\$6	\$9	\$11	\$15	\$178
Implied cost of other long-term liabilities (\$000)	\$28	\$35	\$38	\$42	\$116
Fixed-costs ratio (%)	12.7%	12.2%	11.0%	10.2%	10.7%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Des Moines-West Des Moines, IA Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, Waukee (City of) IA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The City of Waukee is located approximately 16 miles west of Des Moines, in Dallas County and serves a population of around 25,000. The city provides public safety (police and fire), public works, culture and recreation, and other governmental services. The city's business-type activities include water, sewer, gas, storm water and solid waste service and a public golf course.

Detailed credit considerations

The city's fiscal 2023 (June 30 year-end) available fund balance ratio totaled a healthy 46% of revenue across all funds, and cash was around 100% (see exhibit 2). Inclusive of restricted funds used for core operations, the available fund balance ratio is closer to 68% of revenue. The city operates enterprises for [sewer](#) (Aa2), [water](#) (Aa2), gas, sanitation, [storm water](#) (Aa2) and its golf course. Strong reserves and liquidity in the enterprises support to the city's strong overall financial position. The city's economic base will continue to grow given its ties to the economically strong Des Moines metropolitan area and ongoing residential and commercial development. The city's long-term liabilities ratio is somewhat above Aa1 peers (see exhibit 3) because of recent borrowing required to accommodate the growing area. The city is currently preparing to issue around \$24 million in General Obligation Unlimited tax (GOULT) debt to finance its annual capital needs, and future borrowing plans include around \$5 million to \$8 million annually in GO debt. The city may also issue about \$35 million to finance a new aquatic center, for which the city plans to go to voters in November 2024.

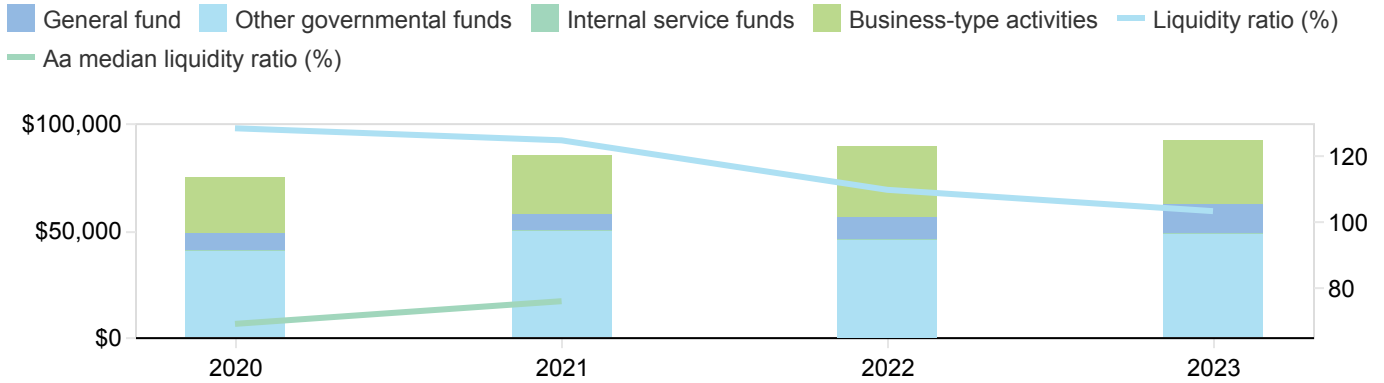
The city's reserves overall will remain healthy, despite planned draws for capital in enterprise funds over the next few years, because of favorable revenue trends and balanced operations across most funds. For fiscal 2024 (June 30 year-end) city officials anticipate a \$1.2 million surplus in the general fund, while other governmental is overall balanced. Reserves in the business type activities are

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projected to decrease by roughly \$2 million to fund planned capital projects, including a new water tower. The fiscal 2025 budget reflects balanced operations in the general fund, and additional spending for capital projects of roughly \$2 million across business type funds. Incorporating these draws, we expect available fund balance will remain above 40% of revenue.

Exhibit 2

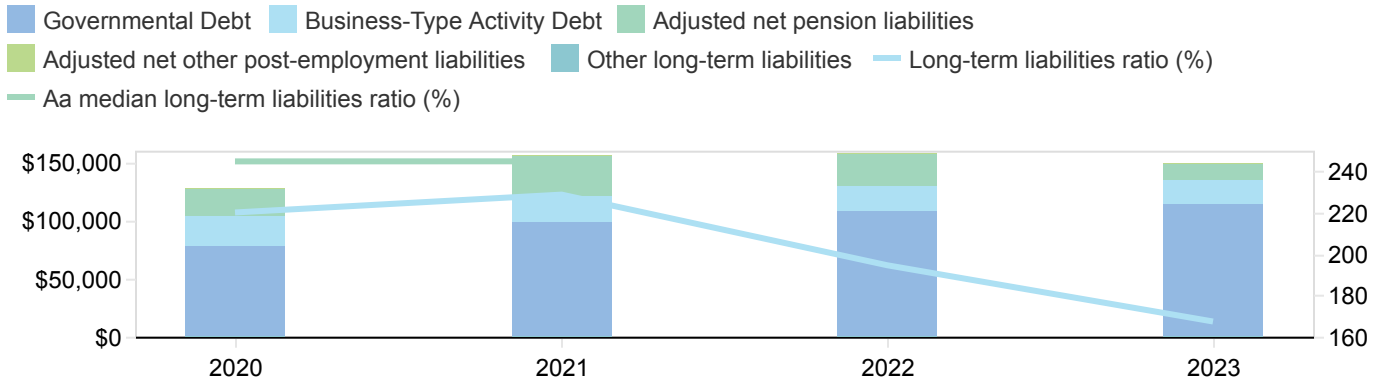
Cash



Source: Waukee, IA's audited financial statements and Moody's Ratings

Exhibit 3

Total Primary Government - Long Term Liabilities



Source: Waukee, IA's audited financial statements and Moody's Ratings

ESG considerations

Environmental

Environmental risk is generally low for the local government sector. Environmental considerations are factored into the city's credit quality but are not major drivers at this time.

Social

Social considerations such as wealth and income are drivers of the city's credit quality and are discussed in the detailed credit considerations.

Governance

The city benefits from management's conservative budgeting practices and a five-year capital plan to guide planning of infrastructure investment. City management has a fund balance policy to maintain a total general fund balance of no less than 25% of expenditures. The state enacted new tax caps in 2023, which role back the maximum tax rate for general operations if certain growth triggers are

met or exceeded. The city's valuation growth has, often, exceeded the new legislative caps. Assuming the city exceeds the legislative caps in the future, the city's general fund levies will lag its relative valuation growth. The city's employee benefits, debt service, pension and capital levies are exempt from the limitations providing a degree of flexibility.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 4

Waukeee (City of) IA

	Measure	Weight	Score
Economy			
Resident income ratio	154.4%	10.0%	Aaa
Full value per capita	172,312	10.0%	Aa
Economic growth metric	0.0%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	46.2%	20.0%	Aaa
Liquidity ratio	103.3%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	167.3%	20.0%	Aa
Fixed-costs ratio	10.2%	10.0%	Aa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			Aa1

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Des Moines-West Des Moines, IA Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Waukeee (City of) IA's financial statements and Moody's Ratings

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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