

ISSUER COMMENT

14 September 2020

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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Waukee Community School District, IA

Annual Comment on Waukee CSD

Issuer Profile

Waukee Community School District is located in Dallas County in central Iowa, approximately 10 miles west of Des Moines. The county has a population of 84,002 and a moderate population density of 143 people per square mile. The county's median family income is \$109,051 (1st quartile) and the July 2020 unemployment rate was 4.7% (1st quartile) ². The largest industry sectors that drive the local economy are finance/insurance, retail trade and health services.

We regard the coronavirus outbreak as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety and the economy. We do not see any material immediate credit risks for Waukee CSD. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Waukee CSD changes, we will update our opinion at that time.

Credit Overview

The credit position for Waukee CSD is very high quality. Its Aa2 rating is slightly stronger than the US school districts median of Aa3. The notable credit factors include a very strong wealth and income profile, a large tax base and a robust financial position. It also reflects a mid-ranged pension liability and a sizable debt burden.

Economy and Tax Base: The coronavirus is driving an unprecedented economic slowdown. We currently forecast US GDP to decline significantly during 2020 with a gradual recovery commencing toward the end of the year. Local governments with the highest exposure to tourism, hospitality, healthcare, retail, and oil and gas could suffer particularly severe impacts.

The district has an exceptionally healthy economy and tax base, which are relatively favorable with respect to the assigned rating of Aa2. The median family income is a robust 169.3% of the US level. In addition, the full value per capita (\$153,109) is materially above the US median, and rose significantly from 2015 to 2019. Lastly, Waukee CSD's total full value (\$8.3 billion) is much stronger than other Moody's-rated school districts nationwide.

Finances: The financial position of the district is robust overall and is relatively favorable in comparison to its Aa2 rating. The cash balance as a percent of operating revenues (23.8%) approximates the US median, and rose modestly between 2015 and 2019. Yet, the fund balance as a percent of operating revenues (14.9%) is beneath the US median.

Debt and Pensions: Overall, the debt and pension liabilities of the district are mid-ranged, yet they are weak in comparison to the Aa2 rating assigned. Waukee CSD's Moody's-adjusted net pension liability to operating revenues (1.2x) favorably is slightly under the US median, and stayed flat from 2015 to 2019. Additionally, the net direct debt to full value (2.9%) is materially above the US median.

Management and Governance: Iowa school districts have an institutional framework score ³ of "Aa," which is strong. The sector's major revenue source is state aid followed by property taxes. In recent years, state aid has increased modestly each year. For fiscal 2021, state aid increased by 2.3%. The sector's local revenue raising flexibility is high as the management levy is unlimited. Districts can also access other levies with board and/or voter approval, including the cash reserve levy, which can equal up to 20% of the prior year's general fund expenditures and provides access to local revenue with simple board approval. Revenues and expenditures tend to be predictable, given state-impose limits on annual growth rates and Iowa's public employee collective bargaining law that limits the scope of bargaining to base wages for non-public safety employees. Across the sector, fixed costs are generally moderate and driven mainly by debt service.

Sector Trends - Iowa School Districts

Despite economic pressures caused by the coronavirus pandemic, most Iowa school districts will continue to benefit from fundamentally strong local economies and reduced but still adequate revenue raising ability. Spending limitations should continue to make expenditures manageable and predictable. The state allowable per-pupil spending growth rate increased to 2.6% in fiscal 2020 up from 1.0% in fiscal 2019. The state hasn't yet reduced aid to school districts in fiscal year 2021, which includes a 2.3% increase compared with 2020. School districts with large declines in enrollment may encounter pressure from fixed costs as they reach their state spending limit, but generally districts can reduce expenditures as necessary. Pension contributions are expected to remain largely stable. Charter schools do not have a significant presence in Iowa.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 1

Key Indicators [4.5](#) Waukee CSD

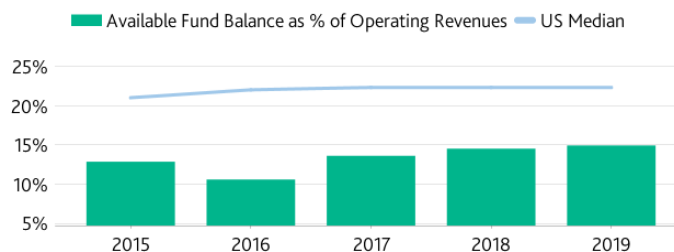
	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$5,736M	\$6,274M	\$6,942M	\$7,488M	\$8,284M	\$1,919M	Improved
Full Value Per Capita	\$131,272	\$131,176	\$136,803	\$138,393	\$153,109	\$87,328	Improved
Median Family Income (% of US Median)	162%	170%	172%	169%	169%	101%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	12.9%	10.6%	13.6%	14.5%	14.9%	22.3%	Stable
Net Cash Balance as % of Operating Revenues	20.9%	19.3%	47.0%	46.9%	23.8%	27.2%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	2.9%	2.7%	2.6%	2.4%	2.9%	1.6%	Stable
Net Direct Debt / Operating Revenues	1.73x	1.52x	1.49x	1.31x	1.64x	0.73x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.9%	1.9%	2.0%	2.2%	2.2%	3.3%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.13x	1.07x	1.16x	1.20x	1.23x	1.48x	Stable

	2015	2016	2017	2018	2019	US Median
Debt and Financial Data						
Population	43,699	47,832	50,745	54,111	54,111	N/A
Available Fund Balance (\$000s)	\$12,543	\$11,636	\$16,620	\$19,696	\$21,728	\$9,391
Net Cash Balance (\$000s)	\$20,392	\$21,269	\$57,373	\$63,675	\$34,600	\$11,164
Operating Revenues (\$000s)	\$97,606	\$109,930	\$122,175	\$135,720	\$145,637	\$42,583
Net Direct Debt (\$000s)	\$169,090	\$167,525	\$181,765	\$177,175	\$239,145	\$29,872
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$110,061	\$117,457	\$141,469	\$162,495	\$178,627	\$62,410

Source: Moody's Investors Service

EXHIBIT 2

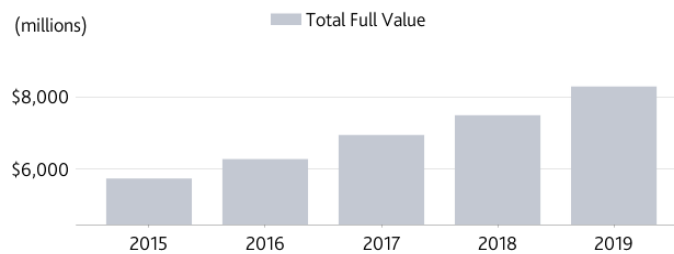
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

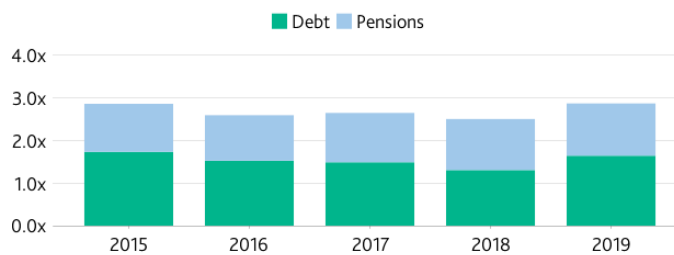
Full value of the property tax base increased from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- 3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(September 2019\)](#) methodology report for more details.
 - 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - 5 The medians come from our most recently published local government medians report, [Medians - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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