S&P Global
Ratings

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Summary:

St. Louis, Missouri
St. Louis City Parking Commission; Parking

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Credit Profile		
St. Louis, Missouri		
St Louis City Pkg Comm, Missouri		
St. Louis (St Louis City Pkg Comm) pkg (BAM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
St. Louis (St Louis City Pkg Comm) subordinated pkg (AGM)		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed

Rationale

S&P Global Ratings affirmed its 'A' long-term rating and underlying rating (SPUR) on the city of St. Louis, Mo. senior lien parking revenue bonds issued for the St. Louis City Parking Commission. At the same time, S&P Global Ratings affirmed its 'A-' long-term rating and SPUR on the city's subordinate parking revenue bonds issued for the commission. The outlook is stable.

The rating reflects our view of the following factors:

- A diverse pledge of revenues securing the bonds, including revenue from approximately 11,600 spaces in five garages, three surface lots, and parking meters;
- Strong debt service coverage and very strong liquidity, both of which we expect the parking division will sustain near recent levels, though we note fiscal 2017 debt service coverage was aberrantly strong as a result of a refunding that year;
- The treasurer's flexibility to raise rates without restrictions on frequency or amount and without approval by the board of aldermen; and
- Manageable capital needs and no additional parking revenue bond debt plans.

We believe the following weaknesses partially offset these factors:

- A service area economy we view as weak and that, combined with the effects of competition from private parking operators, may constrain material margin growth; and
- A relatively high exposure to unhedged variable rate debt.

A pledge of certain parking division net revenues (including fees, fines, tickets, tags, charges, and penalties for a variety of on- and off-street parking lots and meters) and city parking enforcement revenues secures the bonds. The series 2007B and 2016 bonds are senior to the series 2015A, 2015B, and 2013A subordinate lien revenue bonds. We do not rate the series 2013A subordinate lien revenue bonds though we include them in our analysis as they are secured by the same revenue stream securing the bonds we rate.

The parking division derives revenues from five garages, three off-street lots, and parking meters pledged to the bonds.

The garages and lots provide revenue from nearly 3,900 spaces. The on-street parking system includes approximately 7,700 parking meters throughout downtown and in a number of key commercial and institutional districts. We consider this system diverse and we believe the diversity contributes to overall stability in revenue generation. However, we note that private parking facilities pose significant competition to the city's facilities throughout the city, and we believe this competition may constrain material margin growth that would lead to materially stronger debt service coverage (DSC). We believe management provides active oversight of the system, and note that margins and coverage have been consistently strong in recent years.

At fiscal year-end 2017, St. Louis had approximately $60 million in parking revenue bonds outstanding that were issued under its 2006 trust indenture (including current maturities); approximately 77% of this debt is subordinate. Under a municipal corporation, the city also has debt related to its Cupples garage ($8 million outstanding at fiscal year-end 2017). This debt was not issued under the 2006 indenture and is secured by net revenues of the Cupples garage. A majority--approximately 80%--of the commission's debt is variable rate. Excluding the series 2003A and 2003B bonds, about $44 million (about 75%) of the commission's parking revenue debt is unhedged variable rate debt. None of the city's variable rate parking revenue debt has been swapped to fixed rate, however we note the substantial majority of this unhedged variable rate debt carries moderate maximum interest rates we believe limit the risk that interest rate fluctuations would result in material increases in debt service requirements that would pressure DSC.

The commission's financial performance has been stable and strong in our view, with the parking system benefiting from rate adjustments and increased activity in the downtown St. Louis corridor. Project revenues from the city's garages and lots increased each year from fiscal 2013-2017, driven by special events revenue and increasing activity in the city's urban core. Though the Rams football team left the city, playing its last home game on Dec. 17, 2015, the revenue impact to the parking system has been limited. The city reports that Rams-related events constituted less than $13,000 in fiscal 2016 and less than $15,000 in fiscal 2015. The city's wealth and income levels are low, and unemployment trends above the U.S. average. Despite a somewhat weak city economy, we believe the broader metropolitan statistical area (MSA) is stronger and provides a good base of demand that we expect will continue to support relatively strong and stable financial performance for the parking system.

In our view, the city has demonstrated a willingness and ability to adjust parking rates, having done so periodically to maintain stable margins in the face of rising expenses. Following a rate study completed at the end of 2014, St. Louis passed a resolution to increase rates on both meters and fines. We consider management's willingness to raise rates to preserve financial metrics to be a credit positive. Effective July 1, 2015, hourly meter rates increased to $1.50 per hour from $1.00 and meter and street cleaning violations increased to $15 from $10. Also effective July 1, 2015, the parking commission increased public safety violations to $40 from $30, and disabled parking violations rose to $100 from $75. The city, per its policy will annually review its rates to evaluate if adjustments are required. Although the city does not have specific plans for further rate adjustments at this time, we expect the city will continue to adjust rates and fees such that financial performance will remain consistent, overall, with recent performance.

Tax increment financing (TIF) revenues provide additional security to the series 2015B and series 2016 bonds. TIF revenues also secured the series 2006 bonds, which were refunded by the series 2016 bonds. The city has consistently transferred the pledged TIF revenues to the parking fund, supporting stable DSC metrics over the past several years. In fiscal 2017, the city did not transfer Argyle TIF revenues to the parking commission. The Argyle TIF revenues are pledged to debt service related to that garage (the 2006 bonds, which were refunded by the 2016 bonds), and also to cover any operating shortfalls at the garage. The related series 2006 bonds were refunded during fiscal 2017 and no debt service on those bonds was paid in that year. In addition, the garage operated at a surplus in fiscal 2017. Thus, no TIF revenues were required to be transferred.

S&P Global Ratings treats transfers from the parking fund to the city general fund as an operating expense in our calculation of all-in DSC. Overall net pledged revenues, provided 1.8x all-in debt service coverage in fiscal 2016, and 1.7x all-in DSC in each of fiscal years 2013 through 2015, per our calculations. All-in DSC was 2.7x in fiscal 2017, however we note this is an aberration resulting from the impact of the fiscal 2017 refunding of the series 2006 bonds. As a result of the refunding, annual debt service requirements were low in fiscal 2017--about $2.9 million, compared with about $5.0 million per year in fiscal years 2015 and 2016, and scheduled for 2018. Pro forma maximum annual debt service (MADS) coverage based on fiscal 2017 net revenues was 1.6x, which we consider strong.

Per state statute, the city may transfer up to 40% of the parking division's annual net income (less special projects and net of any transfers) to its general fund. This transfer totaled $1.681 million in fiscal 2017 and $0.96 million in fiscal 2016. We the transfer to be credit neutral because the parking system has maintained very strong liquidity, historically. We also note it is not unusual for a city to make transfers from a parking enterprise to its general fund. Although capped, transfers may fluctuate depending on general fund need and parking fund capacity.

The parking system's liquidity position is consistently very strong, in our view. The parking division's unrestricted cash and investments improved for the system to approximately $22.5 million at fiscal year-end, 2017. This level of liquidity equates to 952 days' cash on hand. Unrestricted cash and investments have remained consistently high, not dropping below 535 days' cash on hand, as reported at fiscal year-end, over the past five years. The commission also maintains a parking trust fund, which it funds with net revenues after debt service until reaching one-half MADS. Management has fully financed this fund to $4.25 million, the recommended amount. In the case of a shortfall of pledged revenues, officials use this fund before the debt service reserve fund. The city does not maintain a formal capital plan, but budgets for routine maintenance, which it pays for out of operations. There are no plans to issue additional debt.

A debt service reserve funds equal to the lesser of 10% of the original par amount, MADS, or 125% of average annual debt service also secure the bonds. St. Louis maintains a parking trust fund equal to half of MADS on all parity debt outstanding, which it would use before the debt service reserve fund to make up any debt service shortfall. The rate covenant requires pledged revenues to provide at least 1.35x debt service coverage on the city's senior parking revenue bonds. The indenture does not require a rate covenant on the subordinate obligations. However, St. Louis funds debt service payments with the required monthly deposits through the flow of funds. To issue additional parking revenue bonds, the indenture requires 1.35x MADS coverage on existing and new bonds based on historical revenues, or 1.50x MADS coverage based on historical and projected revenues. We view the bonds' structure as somewhat permissive, given the lack of thresholds on the subordinate obligations. However, the city's track record of maintaining debt service coverage levels well above required minimums partly offsets this risk, with the parking trust fund providing additional security.

Outlook

The stable outlook reflects our expectation that parking system demand will continue to support strong liquidity and debt service coverage levels.

Upside scenario

We could raise the rating if debt service coverage and liquidity increase significantly above historical levels as a result of increased demand or effective rate adjustments.

Downside scenario

Although we view it as unlikely, a sustained decline in demand for facilities or additional debt issuance resulting in significantly lower net revenues and debt service coverage could result in a negative rating action.

Ratings Detail (As Of February 1, 2018)		
St. Louis, Missouri		
St Louis City Pkg Comm, Missouri		
St. Louis (St Louis City Pkg Comm) pkg		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed
St Louis pkg rev (St Louis City Pkg Comm)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.