S&P Global Ratings

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Research Update:

Columbia, MO Series 2026 Special Obligation Bonds Assigned 'AA-' Rating; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA-' rating to city of Columbia, Missouri's $39.7 million series 2026 special obligation bonds.
- At the same time, we affirmed our ‘AA’ issuer credit rating (ICR) on the city and our ‘AA-‘ rating on its existing special obligation bonds.
- The outlook is stable.

Rationale

Security

The bonds are secured by the annual appropriation derived from income and revenues of the city plus any unencumbered balances from previous years. The series 2026 proceeds will be used to finance improvements to the city’s electric and water metering infrastructure. Management intends to pay debt service from water and electric revenues, although it has not formally pledged these to bond security.

We rate the city's special obligation debt one notch lower than its general creditworthiness, as reflected in the ICR, to reflect annual appropriation risk. We view these bonds as having a strong relationship to the obligor, and further, these obligations provide funding for projects we consider important to the obligor. The city pledges to annually appropriate from operating revenue to pay debt service and it has a history of appropriating for similar obligations. In our opinion, there is no unusual political, timing, or administrative risk related to debt payments.

Credit highlights

The city of Columbia exhibits a strong economic base anchored by a major institutional presence and a diverse employment landscape, though its per capita incomes are below average, reflecting the presence of students at the University of Missouri. The city maintains robust reserve levels and, while recent operations have been characterized by the spending down of reserves for capital projects and other one-time items, city residents recently passed a new one-cent public safety sales and use tax that is expected to generate approximately $38 million annually. The city intends to use these funds for annual public safety expenses and to shore up funding in its public safety pension plans.

The city's credit profile is supported by its relatively low debt burden and a stable economic environment driven by the presence of the University of Missouri, the state's flagship university.

Our rating also reflects the following:

- The city benefits from a stable and diverse economic landscape, characterized by strong concentrations in the healthcare, education, and public administration sectors. The presence of the University of Missouri serves as a significant institutional anchor, providing economic stability and supporting population growth of 13% over the last decade. However, per capita incomes and gross county product remain below national averages due to a high concentration of students and public sector roles.
- Operating performance is driven by sales taxes, which account for 27% of revenues. While the city achieved a modest operating surplus in fiscal year 2025 (fiscal year-end Sept. 30), driven in part by the receipt of a large one-time litigation settlement, the city projects a deficit in fiscal year 2026 of approximately 5.7% of general fund revenue associated with one-time expenditures and capital spending. Despite this, we anticipate a surplus in fiscal 2027 associated with additional revenues received from the new one-cent sales tax.
- The city maintains a robust liquidity position, with available reserves consistently exceeding 40% of operating revenues. This strong reserve cushion, built from past surpluses, provides a significant buffer against unexpected expenditures and supports the current rating.
- Management demonstrates disciplined financial planning, utilizing ten years of historical data and external benchmarks to develop line-by-line annual budgets. The city maintains formal debt and investment management policies, provides monthly budget-to-actual reports to the city council, and utilizes a five-year capital improvement plan to guide infrastructure investment. The city maintains robust cyber-security practices
- The city maintains a relatively low debt burden, characterized by low net direct debt per capita and limited general obligation debt. While projected debt and liabilities for fiscal year 2027 are expected to rise to approximately 19% due to new issuances and pension contribution costs, the overall debt structure remains manageable.
- Although physical risks are relevant for the local government sector, we consider Columbia's exposure to natural hazards, such as extreme weather and flooding, as fairly limited compared with that of national peers. We note that the city did have an EF-0 tornado touch down within its borders in 2025, but it did not cause significant damage.
- We consider the city's institutional framework score consistent with other Missouri municipalities. For more information on our institutional framework for Missouri cities, see "Institutional Framework Assessment: Missouri Local Governments," Sept. 10, 2024.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the city will maintain its strong economic foundation and robust reserve levels despite recent fluctuations in operating performance. We believe the city's diverse economic base and significant liquidity buffers will continue to mitigate potential fiscal pressures.

Downside scenario

We could lower the rating if the city experiences a pattern of operating deficits, leading to a significant erosion of reserve levels. Also, a downward trend in the city's economic stability or a sharp increase in debt service requirements relative to revenues could lead to a negative rating action.

Upside scenario

We could raise the rating if the city demonstrates a sustained trend of operating surpluses, leading to an improved three-year average operating margin. Furthermore, an increase in the city's economic strength, evidenced by rising per capita income levels or significant growth in the tax base, could support a rating upgrade.

Columbia, Missouri--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.88
Economy	2.5
Financial performance	2
Reserves and liquidity	1
Management	1.65
Debt and liabilities	2.25

Columbia, Missouri--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	--	--	84	80
County PCPI as % of U.S.	--	--	85	85
Market value ($000s)	12,881,101	12,092,743	10,979,110	10,958,569
Market value per capita ($)	--	91,307	83,734	84,341
Top 10 taxpayers as % of taxable value	--	7.3	6.4	6.3
County unemployment rate (%)	--	3.4	3.2	2.6
Local median household EBI as % of U.S.	--	80	81	79
Local per capita EBI as % of U.S.	--	84	86	90
Local population	--	132,440	131,119	129,932
Financial performance				
Operating fund revenue ($000s)	--	113,709	96,288	86,322
Operating fund expenditures ($000s)	--	134,200	113,251	94,430
Net transfers and other adjustments ($000s)	--	21,383	13,124	14,516
Operating result ($000s)	--	892	(3,839)	6,408
Operating result as % of revenue	--	0.8	(4.0)	7.4
Operating result three-year average %	--	1.4	2.5	8.1
Reserves and liquidity				
Available reserves as % of operating revenue	--	47.1	54.5	62.4
Available reserves ($000s)	--	53,524	52,516	53,827
Debt and liabilities				
Debt service cost as % of revenue	--	1.0	1.1	1.3
Net direct debt per capita ($)	--	39	52	64

Columbia, Missouri--key credit metrics

Net direct debt ($000s)	--	5,165	6,780	8,330
Direct debt 10-year amortization (%)	--	100	100	--
Pension and OPEB cost as % of revenue	--	16.1	15.9	15.7
NPLs per capita ($)	--	1,108	1,061	1,281
Combined NPLs ($000s)	--	146,695	139,090	166,445

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
New Issue Ratings	
US$39,765,000 City of Columbia, Missouri, Special Obligation Bonds, Series 2026, dated: Date of Delivery, due: October 1, 2036	
Long Term Rating	AA-/Stable
Ratings Affirmed	
Columbia, MO Issuer Credit Rating	AA/Stable
Local Government	
Columbia, MO Appropriation Contract	AA-/Stable
Columbia, MO Unlimited Tax General Obligation	AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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 https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.