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Summary:
Des Moines, Iowa; General Obligation

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Credit Profile		
US$46.735 mil GO bnds ser 2011A due 06/01/2012-2031		
Long Term Rating	AAA/Stable	New
Des Moines		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Des Moines, Iowa's series 2011A general obligation (GO) bonds. At the same time, we affirmed our 'AAA' long-term rating and underlying rating (SPUR) on the city's previously issued GO debt. The outlook is stable.

The ratings reflect our assessment of the city's:

- Status as the center of the stable and diverse Des Moines MSA,
- Good reserve levels coupled with revenue-raising flexibility,
- Proactive management and sound policies, and
- Moderate debt burden that will likely remain stable due to an articulated debt policy.

Unlimited ad valorem taxes levied on taxable property within the city secure the bonds. Bond proceeds will be used to finance various improvements outlined in the city's capital improvement plan. A portion of the proceeds will be used to current refund the city's series 2005A GO refunding bonds for interest cost savings.

Des Moines (population: 203,433) is Iowa's capital and largest city. The metropolitan area serves as a major center for the insurance industry and is home to more than 200 insurance offices and headquarters employing over 20,000 people. The city is also considered a regional finance, health care, and service center. As the state capital and Polk County's ('AAA' GO rating) seat, the city also has a large number of government sector jobs, which also stabilizes the employment base. In our opinion, the median household effective buying income for Des Moines residents is adequate at 84% of the national average in 2010. The city's unemployment rate through March 2010 was 8.0%, above the state average of 6.1% but below the nation's 8.8% rate during the same time period. Leading employers include:

- Wells Fargo & Co. (11,700 employees),
- The state of Iowa (8,800),
- Iowa Health (7,300),
- Principal Financial Group (6,728), and
- Mercy Medical Center (4,950)

Since 2006, taxable valuation has grown, on average, nearly 4.3% annually to $6.58 billion in 2010. The 100% actual value of $11.16 billion in 2010 equated to, in our view, an adequate $54,878 per capita. The leading 10 taxpayers account for what we consider to be a diverse 15.4% of taxable valuation.

The city's finances are solid, in our opinion, as evidenced by good general fund reserves coupled with management's significant revenue-raising flexibility and practice of budgeting on a biennium basis. Following a $1.39 million use of reserves in fiscal 2009 due primarily to lower-than-projected franchise fees and interest earnings, the city was able to return to balanced operations and reported a $57,000 surplus in fiscal 2010. The unreserved general fund balance at fiscal year-end 2010 (June 30) was nearly $9.4 million, which equated to what we consider a good 7% of expenditures. For fiscal 2010, the city was able to close a budget gap of about $6 million mostly from workforce-related reductions, the savings from which will be carried forward to future years. For fiscal 2011, management currently estimates a $1.26 million surplus. The fiscal 2012 budget includes a projected surplus of approximately $1.21 million and a total general fund balance of $16.34 million. Management has identified additional expenditure reductions for future years.

The city has again been able to maintain taxing flexibility by avoiding reliance on the emergency levy and by continuing to levy below the maximum rate in its trust and agency levy. The city projects that this margin equates to approximately $13.78 million of additional revenues coupled with an approximate $5 million in gaming revenues currently used for capital expenditures that could be used for general operations by council action.

The city contributes to two employee retirement systems, the Iowa Public Employees Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa, which are both cost-sharing, multiple-employer defined benefit pension plans administered by the state of Iowa. IPERS was 81% funded as of June 30, 2010. The city's contributions for the past three fiscal years were equal to the annual required contributions. The city sponsors a single-employer health care plan for retirees. Retirees on the plan pay the full premium, resulting in an implicit liability for the city. The annual required contribution is $1.57 million, but the city finances on a pay-as-you-go basis, contributing $590,000. As of July 1, 2009, the unfunded actuarial accrued liability was $14.27 million.

Standard & Poor's considers the city's financial management practices "good" under its Financial Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Highlights include at least quarterly reports to the council on budget-to-actual performance and investment results. The city has a comprehensive five-year capital improvement plan and engages in long-term financial forecasting; however, a long-term financial plan is not formalized. The city has adopted investment and debt management polices and maintains an informal target of keeping 10% of general fund expenditures in reserves.

In our opinion, the city's overall debt burden is moderate at $2,332 per capita and 4.3% of market value. Debt service carrying charges in fiscal 2010 were what we consider a high 28% of total governmental expenditures, less capital outlay. However, direct GO debt is retired rapidly, with nearly 72% retired over 10 years and 100% by 2031. The city's capital improvement plan calls for about $29 million of GO bonds to be issued in each of the next three years for various purposes.

Outlook

The stable outlook reflects our expectation that the city will maintain its prudent financial management practices, resulting in balanced operations and at least good reserve levels. We do not expect to change the rating within the two-year outlook timeframe. The city's role as the state's capital city and economic center, as evidenced by a wide and diverse array of major employers, provides additional rating stability.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of May 20, 2011)		
Des Moines GO		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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