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Earnings tax reauthorization hurt the city, caused downgraded credit rating

By Comptroller Darlene Green, Guest columnist

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In recent months, credit rating agencies have revised their rating criteria, and the City of St. Louis will be affected by the changes. The city has been proactive and commissioned a 10-year financial strategic plan, approved in September 2015 by the Board of Estimate and Apportionment.

The Fitch agency downgraded the city last week after applying its new rating criteria released in April. Under the new criteria, the earnings tax reauthorization is a negative factor for the first time.

Fitch said it, along with the Hancock Amendment, reduces the city's legal ability to raise revenues. Another key rating factor is the city's low reserve levels.

Fitch had more positive comments regarding city's ability to control costs and the city's favorable long-term liability burden.

The city proved its financial resilience during the most recent economic downturn. But, the city would be smart to strengthen its financial resiliency for the future by increasing reserves and seeking legislation to remove the earnings tax reauthorization mandate.

The city remains in the "A" category for overall ratings with all three credit rating agencies Moody's, Standard & Poor's, and Fitch.