

Research Update:

Sioux Center, IA's Series 2025A And 2025B GO Capital Loan Notes Assigned 'A+' Rating; Outlook Is Stable

September 4, 2025

Overview

- S&P Global Ratings assigned its 'A+' rating to the City of [Sioux Center](#), Iowa's \$5 million series 2025A general obligation (GO) capital loan notes and \$1.2 million series 2025B GO capital loan notes.
- At the same time, we affirmed our 'A+' underlying rating (SPUR) and long-term rating on the city's existing GO debt.
- The outlook is stable.
- The rating is based on the application of our [Methodology For Rating U.S. Governments](#), Sept. 9, 2024.

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Rationale

Security

The city's unlimited tax GO pledge secures the series 2025A and series 2025B notes. The city intends to repay the notes from tax increment financing (TIF) and utility revenues and developer contributions. Proceeds of the notes will be used to widen and improve Highway 75, construct utility infrastructure and stormwater capture to facilitate residential and commercial development, and purchase land.

Credit highlights

The rating reflects the city's strong economic metrics relative to those of similarly rated cities, healthy population growth, and generally positive operating performance. Limiting the rating are lower general fund reserves and liquidity (when accounting for interfund receivables) and higher net direct debt per capita relative to those of higher-rated cities.

The city's operating results are generally positive, supported by property and sales tax revenue growth. While management expected a modest \$150,000 operating deficit in fiscal 2024 for one-time costs addressing rainfall damage, the actual result was break-even due to conservative budgeting. Unaudited fiscal 2025 results show a \$400,000 deficit, or -4% of operating revenues, driven by one-time county fair improvements and economic development projects. The fiscal 2026 budget includes a \$740,000 surplus, or 8% of budgeted revenue, which management attributes to lower capital spending and transfers in of TIF revenue to pay down interfund receivables.

Adjusting for interfund receivables owed by various funds for past capital projects, the city's reserves have hovered around 15% to 20% of operating revenue in recent years, or around \$1.5 million, though we note general fund cash is thin at about \$420,000 in the fiscal 2024 audit. Management expects to use excess TIF revenue to incrementally pay down about \$1.5 million of the currently \$2.6 million in interfund receivables over the next four years. The city has no plans to draw down reserves.

Credit fundamentals further supporting the 'A+' rating include the following:

- The local population is growing (up 15% in the last 10 years) given the city's position as an employment hub for the surrounding area, supporting ongoing residential development, with management reporting 120 new apartment units are being built in the next two years. Dordt University is a major employer, with a student population that likely somewhat understates the city's local per capita effective buying income. Management reports the university's athletic complex hosts youth and college sports events that drew 250,000 visitors last year, supporting the city's 1% local option sales tax.
- Finances are stable, and labor costs are manageable, though we view general fund reserves and liquidity as nominally low. We note the city's water and mall enterprise funds have had ongoing negative unrestricted net positions due to past capital projects, though management expects planned utility rate increases will improve the finances of the former and notes a potential new tenant at a vacant space in the mall, which is owned by the city, could improve the latter fund.
- Management practices have supported financial stability. They include monthly budget-to-actual reporting of expenditures but not revenues to the council; a limited, annually updated five-year capital improvement plan; no multiyear general fund forecasting but long-term forecasting for the TIF, utility and local option sales tax funds; and an informal target to maintain a general fund balance equal to 25% of operating expenditures, though this target does not seem well institutionalized. Management is taking steps to mitigate cyber risk.
- Net direct debt per capita is higher relative to peers, though it is amortizing fairly rapidly and in our view manageable, with fixed costs that could increase to about 15% of total governmental fund revenue due to increases in debt service from the series 2024 and 2025 notes. The city plans to issue about \$25 million to \$30 million in debt payable solely from water and electric utility revenues to construct a new water tower and an electric generator. The city's private placement debt has no nonstandard events of default or acceleration provisions. Pension costs are manageable.
- The institutional framework is what we consider more transparent than is typical for Iowa cities given Sioux Center's audits are presented in accordance with generally accepted accounting principles rather than on a cash basis, which is more common among Iowa cities. For more information on our institutional framework assessment for Iowa municipalities, see [Institutional Framework Assessment: Iowa Local Governments](#), Sept. 9, 2024.

Environmental, social, and governance

In our view, the city is exposed to physical risk given the importance of agriculture to the regional economy and because northwestern Iowa has a long-term susceptibility to drought. In July 2025, a derecho passed through the city, damaging buildings and trees. Management reports minimal direct cleanup costs to the city and no lasting damage to the local tax base. The city's social and governance factors are neutral in our analysis.

Outlook

The stable outlook reflects our view that the city's finances will remain stable, supported by sound management practices, ongoing residential development, and population growth.

Downside scenario

We could take a negative rating action if reserves and liquidity materially weakened due to sustained budgetary imbalance, growth in interfund receivables, or other factors.

Upside scenario

We could take a positive rating action if the city maintained reserves and liquidity net of interfund receivables at materially stronger levels.

Sioux Center, Iowa--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.53
Economy	2.0
Financial performance	2
Reserves and liquidity	3
Management	2.65
Debt and liabilities	3.00

Sioux Center, Iowa--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	106	--	106	111
County PCPI % of U.S.	97	--	97	106
Market value (\$000s)	939,886	771,208	745,172	671,710
Market value per capita (\$)	111,427	91,430	89,296	85,874
Top 10 taxpayers % of taxable value	18.9	18.9	15.1	--
County unemployment rate (%)	2.3	2.0	2.0	1.9
Local median household EBI % of U.S.	116	116	117	112
Local per capita EBI % of U.S.	78	78	76	76
Local population	8,435	8,435	8,345	7,822
Financial performance				
Operating fund revenues (\$000s)	--	9,029	8,328	7,459
Operating fund expenditures (\$000s)	--	12,207	10,777	9,545

Sioux Center, Iowa--key credit metrics

	Most recent	2024	2023	2022
Net transfers and other adjustments (\$000s)	--	3,168	3,570	2,589
Operating result (\$000s)	--	(10)	1,121	503
Operating result % of revenues	--	(0.1)	13.5	6.7
Operating result three-year average %	--	6.7	(9.2)	(2.0)
Reserves and liquidity				
Available reserves % of operating revenues	--	46.5	50.7	42.1
Available reserves (\$000s)	--	4,200	4,226	3,143
Debt and liabilities				
Debt service cost % of revenues	--	8.5	9.6	15.0
Net direct debt per capita (\$)	3,899	2,908	3,156	3,317
Net direct debt (\$000s)	32,886	24,527	26,336	25,947
Direct debt 10-year amortization (%)	78	88	--	--
Pension and OPEB cost % of revenues	--	2.0	2.0	3.0
NPLs per capita (\$)	--	175	199	178
Combined NPLs (\$000s)	--	1,476	1,661	1,390

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\$1.2 mil taxable GO cap loan nts ser 2025B due 06/01/2036

Long Term Rating A+/Stable

US\$5.0 mil GO cap loan nts ser 2025A due 06/01/2041

Long Term Rating A+/Stable

Ratings Affirmed

Local Government

Sioux Ctr, IA Unlimited Tax General Obligation A+/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.

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