

Research Update:

Maquoketa Community School District, IA Series 2025 Tax Revenue Bonds Assigned 'A' Rating

October 2, 2025

Overview

- S&P Global Ratings assigned its 'A' long-term rating to Maquoketa Community School District, Iowa's \$10 million series 2025 school infrastructure sales, services, and use tax revenue bonds.
- The outlook is stable.

Rationale

Security

A first-lien pledge of state-collected retail sales and service tax revenue for school infrastructure purposes secures the bonds. We rate the bonds under our "[Priority-Lien Tax Revenue Debt](#)," criteria, Oct. 22, 2018, which factors in the pledged revenue strength and stability and the general credit quality of the district where taxes are distributed and/or collected (the obligor's creditworthiness [OC]).

The district intends to use the bond proceeds, as well as a \$7.4 million sales tax revenue bond issuance planned for 2026, to construct an addition to an elementary school, enabling the district to close a separate elementary school and build a preschool wing. The bond proceeds will also fund a debt service reserve fund (DSRF) to the lowest of maximum annual debt service (MADS), 10% of principal, or 125% of average annual debt service.

Credit highlights

The rating reflects the district's generally increasing pledged revenues supported by a positive trend of state per-pupil revenue distributions. Limiting the rating are the district's declining enrollment, which management attributes to lower birth rates, and MADS coverage that will likely land at just over the 1.30x additional bonds test (ABT) once additional debt is issued, on the lower end compared to higher-rated peers.

Key credit considerations include our opinion of the district's:

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- Very strong economic fundamentals, as reflected by a statewide revenue base and distributions to districts based on certified enrollment;
- Low revenue volatility for sales-and-use taxes;
- Coverage that we expect will be adequate given the district's plans to bond down to the 1.30x ABT, with a general upward trend in pledged revenues despite declining enrollment; and
- Close obligor relationship.

Environmental, social, and governance

We view the district's environmental, social, and governance factors as neutral within our credit analysis.

Outlook

The stable outlook reflects our view that pledged revenue growth will support sufficient debt service coverage (DSC).

Downside scenario

We could take a negative rating action if statewide sales tax collections decrease or enrollment falls to such a degree that DSC significantly deteriorates. We could also take a negative rating action if the OC weakens materially.

Upside scenario

We could take a positive rating action if enrollment stabilizes and MADS coverage is sustained at higher-than-expected levels.

Credit Opinion

The Iowa Secure an Advanced Vision for Education

The Iowa Secure an Advanced Vision for Education (SAVE) establishes a statewide one-cent sales tax for school infrastructure and is authorized through Jan. 1, 2051. The Iowa Department of Revenue transfers the amount of tax revenue attributable to each school district remitted in the preceding month on a per-pupil basis. The per-pupil calculation compares a district's actual, in-district certified enrollment with total statewide enrollment. All districts receive the same level of per-pupil revenue, which stood at \$1,323 in fiscal 2025.

Districts can use their individual share of SAVE revenue for school infrastructure purposes or property tax relief; they cannot use the funds for general operations. The district's electorate has adopted a broadly written revenue purpose statement that directs the school board to use sales tax revenue first for sales tax debt service, and then for purposes the Iowa Code permits, including property tax relief. Absent a voter-approved broad revenue purpose statement, state statutes require districts to use SAVE funds for property tax relief first, essentially subordinating revenue bonds.

Economic fundamentals: very strong

Pledged revenue is derived from a statewide revenue base with distributions to districts based on certified enrollment; therefore, we use the state as the economic foundation for our analysis. Iowa's population, currently 3.2 million, has increased at a slower rate than that of the nation. In addition, state employment growth has been slower than that of the U.S. Historically, the state unemployment rate is lower than the national rate. Per-capita effective buying income is 93% national level. (For further information, see our full analysis on Iowa, Oct. 9, 2024, on RatingsDirect.)

Volatility: low

We assess revenue volatility to determine the likelihood of revenue availability during different economic cycles. We have two levels of volatility assessments: macro and micro.

Our macro volatility assessment begins with an assessment of the historical volatility of economic activity taxed, including an analysis of societal, demographic, political, and other factors that could significantly affect these activities.

On a micro volatility level, there is no external influence that we believe weakens the macro assessment of low volatility. Under the funding formula, even districts with decreasing enrollment, if it is not significant, have experienced flat-to-growing annual year-over-year revenue; therefore, these districts report stable DSC.

Coverage and liquidity: adequate

The requirement that SAVE revenue cannot be used to support general operations typically results in weak-to-adequate DSC. Districts tend to structure bonds with weak ABTs, typically in the range of 1.2x-1.3x, providing greater ability to issue bonds and fund capital projects.

Maquoketa Community School District's ABT is 1.30x. Most districts eventually issue additional debt to the ABT's fullest extent, and we factor this into our analysis and our expectation of future DSC. The series 2025 bonds are supported by a DSRF, providing additional liquidity.

MADS coverage based on fiscal 2025 revenue is 2.29x, though once the district issues the planned \$7.4 million in additional parity debt MADS coverage could fall to around 1.32x. The state projects pledged revenue per student will be \$1,358 in fiscal 2026, up from \$1,323 in fiscal 2025. The district's October 2024 enrollment count (1,201) indicates MADS coverage will be stable in fiscal 2026.

The district's certified enrollment has decreased by about 11% in the last ten years, or 153 students, which management attributes to declining birth rates and competition from a nearby private school's preschool. The district plans to begin offering full-day preschool at a preschool wing the bonds are financing, which the district hopes will help with enrollment. We believe enrollment could continue to decline given the long-term trend.

We applied two stress tests to assess DSC under scenarios of enrollment and sales tax revenue declines. Using the estimated fiscal 2026 statewide per-pupil revenue amount of \$1,358 and incorporating the additional planned debt, we determined that the district would still have 1x MADS coverage with 913 students, or a loss of 288 (a 24% decline). In addition, if certified enrollment remains constant at 1,201, we calculate per-pupil revenues could decrease to \$1,032 (a 24% decline), and the district would still have 1x MADS coverage.

Districts can sustain a modest degree of enrollment decreases and still generate revenue growth because of historically increasing per-pupil revenue. Fiscal 2025 actual statewide disbursements were \$640 million, or \$1,323 per pupil, up \$186 million, or 41%, compared with 10 years ago.

Obligor linkage: close

Under our criteria, the priority-lien rating links with the OC because we view overall creditworthiness as a key determinant of an obligor's ability to pay all obligations. In our opinion, rated debt bond provisions are less restrictive with respect to revenue collection and distribution. The district directly receives SAVE revenue from the Iowa Department of Revenue and is responsible for paying debt service. In our opinion, pledged revenue flow is not substantially removed from the district's direct control.

Despite a declining enrollment trend, which negatively affects state funding, the district's finances have generally been stable due to ongoing right-sizing of staff, with reserves modestly trending up in the last five audited years to 20% of operating revenue in fiscal 2024 from 15% in fiscal 2019. Unaudited fiscal 2025 results show a \$1 million operating deficit, or -5% of operating revenue, mainly due to the district being unable to use its cash reserve levy to fund growing special education costs. Management expects the fiscal 2026 operating result will be a similarly-sized deficit, again due to limited cash reserve levy-raising ability. Management expects reserves, which we estimate could drop to around \$2.2 million in fiscal 2026, or 10% of operating revenue, will start to recover in fiscal 2027 due to a significant increase in cash reserve levy-raising ability, which is based on the shortfall of reserves relative to 20% of operating expenditures from two years prior. The 2025 and 2026 sales tax revenue bond issuances are also funding an expansion of an elementary school, making it possible for the district to close a separate elementary school and achieve operational savings. We expect the district's finances will likely be stable overall, supported by its willingness to raise revenues and cut spending, though declining enrollment will likely remain an ongoing challenge.

The district's debt profile is manageable, in our view, with net direct debt increasing to around \$1,900 per capita once the planned debt is issued, and with fixed costs increasing to around 9% of total governmental fund revenue. The district uses a robust long-term financial planning model, reports on budget-to-actual results to the board monthly, and has a 7% to 17% informal reserve target. Residents have access to employment opportunities in Dubuque and the Quad Cities, 30 and 45 miles away, respectively. The local population has declined modestly (-1.8%) in the last ten years. Local income metrics are just below 90% of the U.S.'s.

Maquoketa Community School District, Iowa--Key credit metrics

	Metric
Economic data	
Economy	Very strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	8,826
Population (statewide)	3,216,993
Financial data	
Revenue volatility	Low
Coverage and liquidity	Adequate
Baseline coverage assessment	ABT

Maquoketa Community School District, Iowa--Key credit metrics

	Metric
MADS coverage (x)	2.29
MADS year	2033
Annual debt service coverage (x)	N.M.
2-year pledged revenue change (%)	9.23
Bond provisions	
ABT (x)	1.30
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of 3-pronged test
Obligor relationship	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS-Maximum annual debt service. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness.N/A--Not available. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

Ratings List

New Issue Ratings	
US\$10.0 mil sch infrastructure sales, svcrs and use tax rev bnds ser 2025 due 06/01/2049	
Long Term Rating	A/Stable
New Rating	
Local Government	
Maquoketa Community School District, IA Infrastructure Sales, Services, and Use Tax	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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