

Research Update:

O'Fallon, MO's Series 2025A-B Special Obligation Bonds Assigned 'AA' Rating

November 13, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-rating to the City of [O'Fallon](#), Mo.'s \$29.2 million series 2025A special obligation bonds and \$22.8 million series 2025B special obligation bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' long-term rating on the city's previously issued general obligation (GO) bonds and its 'AA' long-term rating on the city's previously issued special obligation bonds.
- The outlook is stable.

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Rationale

Security

Income and revenue of the city and any unencumbered balances from previous years secure the series 2025A and 2025B special obligation bonds, which are subject to annual appropriation. We rate the series 2025A and 2025B bonds one notch lower than the GO rating because of annual appropriation risk and because we consider the obligor's involvement in the projects strong and see no payment or timing risks or any political or administrative risks involved with the transaction. Proceeds from the series 2025A bonds will be used for construction of a new public works facility and installation of new turf fields at a sports complex. The series 2025B bond proceeds will be used to finance a regional law enforcement training center. Revenue from an unlimited ad valorem property tax secures the previously issued GO debt. An annual appropriation and legally available funds secure the previously issued special obligation bonds. We rate the special obligation bonds one notch lower than the city's general creditworthiness, based on annual payment appropriation risk.

Credit highlights

The rating reflects our view of O'Fallon's extremely robust reserve position, supported by nine consecutive years of operating surpluses. While the city expects to draw down reserves in fiscal 2025 (ending Dec. 31), we anticipate that the city will sustain reserves at a level above that of similarly rated peers. Although St. Charles County has gross county product per capita that is

slightly lower than that of similarly rated peers, local incomes are above average and the city benefits from access to the metro St. Louis economy. Furthermore, O'Fallon's management practices and policies support its creditworthiness at the rating.

From fiscal years 2016 to 2024, O'Fallon recorded consecutive operating surpluses and corresponding growth in reserves. Fiscal 2024 ended with a large surplus of \$7.5 million (17.5% of revenue) as a result of higher sales tax revenue, strong building permit revenue, and lower-than-budgeted personnel costs. At fiscal year-end 2024, reserves were 92% of revenue, or approximately \$40 million. In fiscal 2025, officials expect to draw down reserves in the amount of \$15 million associated with planned one-time expenditures, including capital expenditures for a new fleet facility, synthetic turf for its sports complex, and costs associated with hail damage that occurred in 2024. Despite the large use of reserves, we anticipate that the city will remain well above its policy-mandated 40% of expenditures. In terms of revenue in fiscal 2025, officials note that the while sales tax revenue was lower than anticipated, higher interest revenue and electric utility tax revenue offset this. For fiscal 2026, the city expects to spend down approximately \$1.25 million in reserves for capital purchases. The debt profile has been improving and we expect that it will remain in line with that of similarly rated municipalities, even with a small borrowing of approximately \$5.5 million anticipated in fiscal 2027. We do not expect this debt will materially shift our debt and liabilities assessment given O'Fallon's expected tax base, revenue, and population growth. With multiple industrial and commercial projects underway, we believe growth in the tax base and local tax revenue will continue. Although regional economic metrics are below average relative to those of peers, we believe the new developments will lead to growth that will further support the rating.

The 'AA+' rating reflects our view of the city's:

- Per capita gross county product (for St. Charles County) that is lower than that of the U.S. and of comparable rated municipalities. However, per capita personal income is in line with that of the U.S., though it has declined slightly since our previous review in 2024. The county and O'Fallon are experiencing steady population growth, and we believe development patterns will continue this trend. Our assessment of the economy also incorporates our view of the economic opportunities provided by the city's location near the St. Louis metropolitan area.
- Consistent historical operating surpluses aided by conservative and proactive budgetary practices, reflected in four consecutive audited surpluses. We understand the city expects to draw down from reserves in fiscal 2025, reflecting one-time spending on capital items and cleanup projects associated with damage from a hailstorm.
- Robust reserves, with an available fund balance of approximately \$40 million, or 92% of revenue at the end of fiscal 2024. A 40% fund balance policy further supports reserves. Although the city expects to spend down reserves to fund capital projects and infrastructure repairs related to a hailstorm in fiscal 2025, we expect reserves will remain well in excess of its policy level.
- Manageable debt burden on a per capita basis and affordable carrying charges. The city may issue another \$5.5 million during the next few years for meter replacements and water treatment plant improvements, but we do not expect this debt issuance will materially weaken its debt burden. We expect that carrying charges could rise with the additional debt but won't shift materially as a percentage of revenue if recent revenue growth trends persist. We expect cost and liabilities from the Missouri Local Government Employees Retirement System will remain manageable, given current funding practices.

- Conservative and proactive budgeting practices, including a three-year forecast and a rolling capital improvement plan. O'Fallon has formally adopted debt and investment policies that mirror the statutory limits along with a robust reserve policy that has been escalating to match the contingency needs of the expanding services and tax base. The city's cybersecurity practices align with those of peers.
- For more information on our institutional framework assessment for Missouri municipalities, see "[Institutional Framework Assessment: Missouri Local Governments](#)," Sept. 10, 2024.

Environmental, social, and governance

We analyzed environmental, social, and governance risks and consider them neutral in our credit analysis.

Outlook

The stable outlook reflects our view that the city's proactive budgetary practices will continue to support a strong financial profile reflected in mostly positive operational trends and robust reserves. We do not expect to change the rating in the two-year outlook horizon.

Downside scenario

Should a pattern of fiscal imbalance develop, causing fiscal pressures leading to a material decline in reserves to a level no longer consistent with its policy, we could lower the rating.

Upside scenario

In the unlikely event that economic metrics improve to levels aligned with those of higher-rated peers, while the city maintains or improves on other credit factors, we could raise the rating.

O'Fallon, Missouri--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.78
Economy	2.5
Financial performance	2
Reserves and liquidity	1
Management	1.65
Debt and liabilities	1.75

O'Fallon, Missouri--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	73	--	73	72
County PCPI as % of U.S.	99	--	99	98
Market value (\$000s)	13,458,800	13,458,800	13,226,197	11,021,334
Market value per capita (\$)	140,858	140,858	139,946	116,958
Top 10 taxpayers as % of taxable value	6.7	6.7	6.4	7.1
County unemployment rate (%)	3.4	3.1	2.6	2.2

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O'Fallon, Missouri--key credit metrics

	Most recent	2024	2023	2022
Local median household EBI as % of U.S.	131	131	135	135
Local per capita EBI as % of U.S.	111	111	116	116
Local population	95,549	95,549	94,509	94,233
Financial performance				
Operating fund revenue (\$000s)	--	43,279	44,235	46,466
Operating fund expenditures (\$000s)	--	39,870	39,061	35,486
Net transfers and other adjustments (\$000s)	--	4,166	(1,290)	(6,449)
Operating result (\$000s)	--	7,575	3,884	4,531
Operating result as % of revenue	--	17.5	8.8	9.8
Operating result three-year average %	--	12.0	6.6	6.0
Reserves and liquidity				
Available reserves as % of operating revenue	--	91.9	71.4	60.0
Available reserves (\$000s)	--	39,781	31,598	27,901
Debt and liabilities				
Debt service cost as % of revenue	--	7.5	6.9	6.3
Net direct debt per capita (\$)	1,123	574	623	653
Net direct debt (\$000s)	107,328	54,867	58,922	61,522
Direct debt 10-year amortization (%)	57	79	--	--
Pension and OPEB cost as % of revenue	--	4	3	3
NPLs per capita (\$)	--	71	19	--
Combined NPLs (\$000s)	--	6,800	1,812	--

Financial data may reflect analytical adjustments and is 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. EBI--Effective buying income. GCP--Gross county product. OPEB--Other postemployment benefits. NPL--Net pension liability. PCPI--Per capita personal income.

Ratings List

New Issue Ratings

US\$22.83 mil spl oblig bnds ser 2025B due 11/01/2045

Long Term Rating AA/Stable

US\$29.29 mil spl oblig bnds ser 2025A due 11/01/2045

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

O'Fallon, MO Appropriation Contract AA/Stable

O'Fallon, 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

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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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