

Research Update:

Van Meter Community School District, IA Series 2026 Priority-Lien Tax Revenue Bonds Assigned 'A+' Rating; Outlook Stable

November 7, 2025

Overview

- S&P Global Ratings assigned its 'A+' rating to [Van Meter Community School District](#) (CSD), Iowa's \$11.4 million series 2026 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 criteria for "[Priority-Lien Tax Revenue Debt](#)," 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]).

Series 2026 bond proceeds will finance ongoing improvements and classroom additions to existing school facilities. 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 positive pledged revenue trend supported by growth in state per-pupil revenue distributions and the district's increasing certified enrollment. Limiting the rating is an additional bonds test (ABT) of 1.25x, which is consistent with typical ABTs for Iowa school districts but is relatively low compared with higher-rated issuers nationally. While MADS coverage will likely remain lower than those of similarly rated peers, the district's strong certified enrollment trend, which increased 70% in the past 10 years, is expected to support continued growth in

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pledged revenue. Officials project enrollment will increase about 4% annually in the coming years based on the local and county population trends driven by Van Meter CSD's proximity to Des Moines.

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

- 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 weak-to-adequate, with a 1.25x ABT and MADS coverage that would improve to 1.23x in fiscal 2026 based on the state's projected per-pupil revenue; and
- Close obligor relationship.

Environmental, social, and governance

We analyzed the district's environmental, social, and governance factors and view all as neutral in our credit rating analysis. The district experienced flood damage to its facilities in 2025. It maintains liability insurance, which covered the full cost of the damage, thereby mitigating the financial impact of occasional physical risks.

Outlook

The stable outlook reflects our opinion that pledged revenue will likely provide sufficient annual debt service coverage (DSC) due to the lack of additional parity debt plans, increasing per-pupil allocations, and external liquidity provided by the district's DSRF.

Downside scenario

We could take negative rating action if statewide sales tax collections decrease, and DSC significantly deteriorates. We could also take negative rating action if the OC weakens by multiple notches.

Upside scenario

The possibility of an upgrade is limited, given the weak-to-adequate coverage that we expect will remain low, although we could take a positive rating action if the district sustains stronger DSC with a stronger ABT.

Credit Opinion

The Iowa Secure an Advanced Vision for Education fund

The Iowa Secure an Advanced Vision for Education (SAVE) fund 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 was \$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% of the national level. (For further information, see [our article on Iowa](#), Oct. 9, 2024.)

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-increasing annual year-over-year revenue; therefore, these districts report stable DSC.

Coverage and liquidity: weak to 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 ranging 1.2x-1.3x, providing greater ability to issue bonds and fund capital projects. In addition, 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. Van Meter CSD currently has no additional parity debt planned.

The district's ABT is 1.25x. The series 2026 bonds are supported by a DSRF, providing additional liquidity.

MADS coverage based on fiscal 2025 revenue is 1.17x, below the 1.25x ABT. Therefore, we use MADS coverage as our baseline coverage assessment. However, our view of coverage is slightly improved given the historically positive trend of state per-pupil pledged revenue, paired with the district's increasing enrollment. 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 certified enrollment count (961) indicates MADS coverage will increase to 1.23x in fiscal 2026. Assuming the state's projected fiscal 2026 growth rate (2.7%) in per-pupil revenue carries forward into fiscal 2027, MADS coverage would be 1.27x.

The district's certified enrollment has increased 70% in the past 10 years, or 394 students. The local population has similarly been positive in the past 10 years (a 27.3% increase), given the district's proximity to the Des Moines area with ongoing residential development.

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 the October 2024 enrollment count of 961, we determined that the district would still have 1x MADS coverage with a 19% drop in the per-pupil revenue amount or decline in enrollment.

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 \$199.5 million, or 45.3%, 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.

The district's general creditworthiness is underscored by its above-average local incomes that surpass national averages, and strong budgetary results without the use of a cash reserve levy. Unaudited fiscal 2025 year-end results indicate a \$635,000 operating surplus, or 5% of operating revenue, the district's seventh consecutive surplus, reflecting rising served enrollment, which is a key generator of state education funding in Iowa. The fiscal 2026 budget is expected to show at least a breakeven-to-surplus result, with the expectation that the district will maintain healthy available reserves, in compliance with its informal 15%-20% target. Microsoft recently purchased 400 acres within the district to build a data center, and management reports a second data center is being developed, which officials anticipate would significantly increase the district's tax base. Although its general creditworthiness is constrained by a high debt burden, total debt and liabilities represent just 1.7% of the total market value; we expect the district's economic and financial strengths will likely continue to offset its weaker debt profile.

For more information on the district's general creditworthiness, see: "[Van Meter Community School District, IA GO Bond Rating Raised To 'AA-' From 'A+' On Healthy Reserves; Outlook Is Stable](#)," May 1, 2025.

Van Meter Community School District, Iowa--key credit metrics

Economic data

Economy	Very Strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	3,669
Population (statewide)	3,216,993

Financial data

Revenue volatility	Low
Coverage and liquidity	Weak - Adequate
Baseline coverage assessment	MADS
MADS coverage (x)	1.17
MADS year	2027
Annual debt service coverage (x)	2.76

Van Meter Community School District, Iowa--key credit metrics

2-year pledged revenue change (%)	20.08
Bond provisions	
ABT (x)	1.25
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\$11.415 mil sch infrastructure sales, svcrs and use tax rev bnds ser 2026 due 06/01/2046	
Long Term Rating	A+/Stable

New Rating

Local Government

Van Meter Community School District, IA School Infrastructure Sales, Services and Use Tax Revenues	A+/Stable
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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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