S&P Global Ratings

RatingsDirect®

Research Update:

Hazelwood, MO Series 2026 GO Bonds Assigned 'A+' Rating

September 1, 2026

Primary Contact

Emma Drilias
Madison
1-312-233-7132
emma.drilias
@spglobal.com

Secondary Contact

Mike Lensky
Englewood
+1 303 721 4138
mike.lensky
@spglobal.com

Overview

- S&P Global Ratings assigned its 'A+' long-term rating to Hazelwood, Missouri's $14 million series 2026 general obligation bonds.
- At the same time, we affirmed our ‘A’ long-term rating on the city's series 2015 certificates of participation (COPs) and our ‘A-’ long-term rating on the city’s series 2007 annual appropriation capital project bonds.
- The outlook is stable.

Rationale

Security

The city's full faith and credit and revenue from an unlimited ad valorem property tax secure the series 2026 bonds. Voters approved the bond issuance in August 2026 to finance construction of a fire station.

The series 2015 COPs are rated one notch below our view of the city's general creditworthiness to reflect our view of annual appropriation risk. The 2007 annual appropriation capital project bonds are rated two notches lower, reflecting our view of both annual appropriation risk and the specific risks associated with the original project upon which the debt service revenue depends.

Credit highlights

The rating reflects our view of Hazelwood’s substantial liquidity cushion, bolstered by a history of consecutive operating surpluses, a robust revenue base, and conservative management assumptions. This position is further supported by the city’s stable economic profile as an inner-ring suburb of St. Louis. We believe these strengths will offset risks arising from planned deficit spending and unresolved legal liabilities. Specifically, ongoing negotiations with the Robertson Fire Protection District (RFPD) pose a long-term risk to liquidity, depending on the duration and outcome of legal proceedings. Nevertheless, we anticipate that while reserves may fluctuate, the city maintains sufficient capacity to meet near-term obligations and keep reserves within policy targets.

Hazelwood procures a portion of its fire protection services from the RFPD under an interim agreement at an annual rate of $4.5 million. While this is a reduced rate, the arrangement contributes to persistent fixed-cost pressures given that this contract amount makes up about 12% of the general fund budget. Following an August 2026 hearing in the St. Louis County Circuit Court, the judge took the city's motion for relief from the contract agreement under advisement. With no trial date scheduled, the city is in a holding pattern. Although district voters recalled the RFPD board in November 2022, mediation regarding service pricing has reached an impasse. Management anticipates a protracted legal process that could pressure long-term liquidity, and we have accounted for this in the rating. While this litigation introduces significant uncertainty regarding fixed-cost stability, we believe the liquidity cushion is sufficient to absorb potential cost increases during the interim period.

The city's fiscal 2025 general fund results aligned with expectations, yielding a modest surplus built on investment income and sales tax gains. Historically, the city has maintained healthy reserves and budget surpluses through fiscal 2026. Consequently, the fiscal 2026 and fiscal 2027 budgets reflect planned deficit spending to address rising operational costs.

The fiscal 2026 budget included a $3 million deficit to cover escalating personnel and equipment costs, alongside $12 million in repairs related to the 2022 flood event. While the Federal Emergency Management Agency (FEMA) is expected to cover as much as 75% of these costs, certain reimbursements have not yet been received. We recognize that the city may incur temporary cash flow gaps as a result of these delays, but we believe its robust liquidity could withstand such short-term reduction without an impact on creditworthiness. Unaudited results for fiscal 2026 show a narrower $2.4 million deficit (6% of estimated revenue), which includes a planned $549,000 capital transfer. For fiscal 2027, the city has budgeted a $4 million deficit to account for ongoing flood remediation and rising operational expenses. Overall, we expect the city to manage fixed costs effectively while maintaining reserves within its formal policy target of 17% to 40% of expenditures.

The rating further reflects our view of the city's:

- Stable economic base within the diverse St. Louis metropolitan statistical area, though local median household and personal effective buying incomes lag behind county and national averages. Proximity to the St. Louis Airport and Boeing's announced $1.8 billion plant (which will create 500 jobs) provide a positive regional economic boost. The city's per capita retail sales are more than double the national average, and this is key to its historically strong sales tax revenue, which is nearly 40% of general fund revenue.
- Significant credit buffer as a result of reserves. The estimated fiscal 2026 unassigned fund balance of $23.6 million (60% of revenue) sits well above the 17% minimum policy requirement, providing leadership with the flexibility needed to navigate long-term fixed-cost pressures.
- Disciplined budgeting through regularly updated trend analysis, quarterly budget-to-actual reporting, and maintenance of a five-year rolling capital plan that is incorporated into the annual budget. However, its inability to enact certain structural budgetary reforms (given the ongoing litigation surrounding the RFPD contract) limits management conditions, as reflected in our assessment. Cybersecurity practices are consistent with our view of credit fundamentals.
- Manageable debt burden with low debt and an adequately funded single-employer pension plan. Total fixed costs are estimated to remain below 14% of total revenue following the new issuance.

- Elevated physical risks given its location within the Missouri River floodplain, which resulted in significant property damage during the 2022 floods. However, a FEMA-sponsored project to relocate affected properties out of the flood zone is underway. This long-term mitigation strategy directly addresses the underlying vulnerability, protecting both the future tax base and the long-term liquidity position.
- Ability, as with other Missouri municipalities, to raise own-source revenue without voter approval and strong expenditure flexibility. For more information on our institutional framework assessment for Missouri local governments, see "Institutional Framework Assessment: Missouri Local Governments," Sept. 10, 2024.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the city will maintain substantial liquidity and significant reserve cushion despite planned draws on reserves to fund operations.

Downside scenario

We could lower the rating if the city makes significant reserve draws in the next two years, such that reserves fall to a level below the 17% formal fund balance policy requirement. We could lower the rating multiple notches under rating caps if we come to believe that an unaddressed structural imbalance resulted from the RFPD legal outcome.

Upside scenario

We could take a positive rating action if the city is able to maintain stable operations alongside a contract resolution with the RFPD.

Hazelwood, Missouri--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.42
Economy	3.0
Financial performance	2
Reserves and liquidity	1
Management	4.35
Debt and liabilities	1.75

Hazelwood, Missouri--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	136	--	136	138
County PCPI as % of U.S.	143	--	143	144
Market value ($000s)	3,088,161	2,738,560	2,751,012	2,385,084
Market value per capita ($)	126,580	112,250	111,413	95,472
Top 10 taxpayers as % of taxable value	16.8	16.8	16.0	17.6
County unemployment rate (%)	3.7	4.1	3.7	3.1
Local median household EBI as % of U.S.	79	79	78	85

Hazelwood, Missouri--key credit metrics

	Most recent	2025	2024	2023
Local per capita EBI as % of U.S.	73	73	75	85
Local population	24,397	24,397	24,692	24,982
Financial performance				
Operating fund revenue ($000s)	--	39,100	37,074	36,579
Operating fund expenditures ($000s)	--	37,700	33,801	29,427
Net transfers and other adjustments ($000s)	--	(61)	(491)	(527)
Operating result ($000s)	--	1,339	2,782	6,625
Operating result as % of revenue	--	3.4	7.5	18.1
Operating result three-year average %	--	9.7	10.7	10.2
Reserves and liquidity				
Available reserves as % of operating revenue	--	66.4	67.1	58.5
Available reserves ($000s)	--	25,955	24,862	21,392
Debt and liabilities				
Debt service cost as % of revenue	--	4.9	5.4	6.5
Net direct debt per capita ($)	1,338	854	914	976
Net direct debt ($000s)	32,635	20,839	22,560	24,375
Direct debt 10-year amortization (%)	71	100	100	100
Pension and OPEB cost as % of revenue	--	6	4	2
NPLs per capita ($)	--	440	371	229
Combined NPLs ($000s)	--	10,740	9,159	5,713

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. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Ratings List	
New Issue Ratings	
US$14.000 mil GO bnds ser 2026 due 3/1/2046	
New Rating	
Local Government	
Hazelwood, MO Unlimited Tax General Obligation	A+/Stable
Ratings Affirmed	
Local Government	
Hazelwood, MO Lease Appropriation	A/Stable
Hazelwood, MO Lease Appropriation 2007 Series	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.