Moody’s INVESTORS SERVICE

Rating Action: Moody’s assigns A1 to the Unified Govt. of Wyandotte Co./Kansas City, KS’ GOULT and PBC Bonds; outlook remains stable

18 Feb 2021

Also assigns MIG 1 to Temp Notes

New York, February 18, 2021 -- Moody's Investors Service has assigned an A1 rating to the Unified Government of Wyandotte County/ Kansas City, KS’ (UG) $45.7 million General Obligation Improvement Bonds, Series 2021-A and a MIG 1 rating to the UG's $50.3 million Municipal Temporary Notes, Series 2021-I. Concurrently, Moody's has assigned an A1 rating to the $1.9 million Revenue Bonds (Courthouse and Adult Jail Facility), Series 2021-A issued by the Unified Government of Wyandotte County/Kansas City Public Building Commission, KS (PBC) for which the Unified Government is the obligor. The outlook remains stable.

RATINGS RATIONALE

The A1 GOULT rating reflects the UG's adequate and stable operating reserves coupled with a large, stable tax base favorably located near employment centers in Johnson County, KS (Aaa stable) and Kansas City, MO (Aa2 stable). The rating also incorporates the UG's elevated fixed costs comprised of outsized debt and pension burdens in addition to ongoing capital needs associated with citywide deferred maintenance including requirements stemming from a consent decree between the city's sewer enterprise and the US Department of Environmental Protection. The coronavirus crisis is not a key contributor to the rating action given the Unified Government's strong fiscal 2020 performance relative to expectations, resulting in balanced operations.

The MIG 1 rating reflects the UG's strong long-term credit profile reflected in the A1 GOULT rating, history of consistent market access, strong takeout management and healthy internal liquidity.

The A1 rating on the PBC lease revenue debt is rated on parity with the UG's GOULT rating and reflects the more essential nature of the financed projects and the strength of legal provisions including the lack of annual appropriation, early cancellation, or termination risk.

RATING OUTLOOK

The stable outlook reflects our expectation that continued economic expansion, utility rate increases, and bolstered financial policies will enable to Unified Government to maintain balanced operations over the near term.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material mitigation of debt and pension burdens leading to reduction of fixed costs
- Trend of significantly improved operating reserves
- Upgrade of the Unified Government’s GOULT rating (PBC lease revenue debt)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Further leveraging of the tax base, either via debt or growth of pension obligations
- Erosion of operating reserves
- Trend of tax base contraction or loss of major taxpayer
- Downgrade of the Unified Government’s GOULT rating or significant liquidity deterioration (Municipal Temporary Notes, PBC lease revenue debt)

LEGAL SECURITY

The GO Bonds, Series 2021-A and Municipal Temporary Notes, Series 2020-I are general obligations of the
Unified Government payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the UG, excluding the incorporated areas of Bonner Springs, Edwardsville, and Lake Quivira, and excluding the unincorporated area of the UG.

The full faith, credit and resources of the UG are irrevocably pledged for the prompt payment of the principal and interest on the bonds and temp notes. Additionally, the UG's unrestricted cash position (comprised of governmental and sewer system liquidity) of $161.9 million at the close of fiscal 2019 represented a sizable 322% of the UG's temporary debt, exclusive of the 2020-I Temp Notes that mature April 1, 2021.

The revenue bonds issued by the PBC are special obligations of the Issuer payable solely from basic rent payments made by the UG. The lease terms are co-terminus with the maturity of the revenue bonds. Additionally, the UG's obligation to make basic rent payments to the PBC is not subject to annual appropriation, early cancellation, or termination. Upon retirement of the revenue bonds the title to the respective facilities will revert to the UG.

USE OF PROCEEDS

Proceeds of the Series 2021-A GO bonds will fund the permanent financing of completed capital projects throughout the Unified Government, including a police tow lot along with street and sewer improvements.

Proceeds of the Municipal Temporary Notes, Series 2021-I will fund the temporary financing of capital projects throughout the Unified Government, including annual street pavement preservation, additional tow lot improvements, levee betterments, and additional street sewer improvements, as well as capitalized interest on the notes.

Proceeds of the PBC Series 2021-A bonds will fund improvements to the existing courthouse and adult jail facility.

PROFILE

The Unified Government of Wyandotte County/Kansas City is the state's third largest metro area with an estimated population of 165,429. The government serves as a regional employment center for manufacturing, transportation, health care and retail.

METHODOLOGY


REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004 .

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