New York, August 07, 2020 -- Moody's Investors Service has assigned an A1 rating to the Unified Government of Wyandotte County/Kansas City, KS's (hereafter UG) $25.5 million General Obligation Improvement and Refunding Bonds, Series 2020-B and $13 million Taxable General Obligation Refunding Bonds, Series 2020-C. Additionally, Moody's has assigned an A3 rating to the UG's $5.8 million Taxable Special Obligation Annual Appropriation Refunding Bonds, Series 2020-D. Moody's maintains an A1 rating on the UG's previously issued general obligation unlimited tax (GOULT) debt. The Series 2020-D bonds are the UG's only outstanding special obligation annual appropriation bonds outstanding. The outlook is stable.

RATINGS RATIONALE

The A1 GOULT rating reflects anticipated maintenance of adequate operating reserves through fiscal 2021 as the UG's management adapts to operational pressures presented by the coronavirus pandemic. The UG's large and growing tax base favorably located near employment centers in Johnson County, KS (Aaa stable) and Kansas City, MO (Aa2 stable) will continue to support of the credit profile. The UG's elevated fixed costs comprised of outsized debt and pension burdens in addition to ongoing capital needs associated with citywide deferred maintenance and the sewer enterprise EPA consent decree continue to weigh on the rating.

The A3 appropriation rating reflects a two notch distinction from the GOULT and incorporates the annual risk of non-appropriation and the less essential purpose of the original financing (construction of a surface parking lot).

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action given the material support provided to local governments via the state's CARES Act funding. We do not see any material immediate credit risks for UG. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the UG changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The stable outlook reflects conservative financial estimates that indicate modest contraction of operating revenues in fiscal 2020 before recovering in fiscal 2021. The resulting operating deficits in each fiscal year will reduce the UG's fund balance to below 15% of operating revenues by the end of fiscal 2021. However, we note sales tax collections have outperformed the UG's estimates by roughly 18% through May 2020. Continued positive performance is likely to narrow the anticipated deficit spending and result in better than anticipated financial performance.

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

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Further leveraging of the tax base, either via debt or growth of pension obligations, absent corresponding taxable value growth
- Contraction of operating reserve beyond current projections
- Trend of tax base contraction or loss of major taxpayer
LEGAL SECURITY

The Series 2020-B/C GOULT bonds 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.

The Series 2020-D bonds are special obligations of the Unified Government subject to and dependent on annual appropriations made by the Commission. The UG is not obligated to levy or pledge any form of taxation or make any appropriation or payments beyond those appropriated for the then current fiscal year.

USE OF PROCEEDS

Proceeds of the Series 2020-B bonds will fund various capital improvements as well as refund certain maturities of the UG's Series 2010-C, D, and F GOULT debt for savings with no extension of maturity.

Proceeds of the Series 2020-C bonds will refund certain maturities of the UG's Series 2011-A GOULT debt for savings with no extension of maturity.

Proceeds of the Series 2020-D bonds will the UG's Series 2010-H special obligation annual appropriation bonds for savings with no extension of maturity.

PROFILE

The Unified Government of Wyandotte County/Kansas City is the state's third largest metro area with an estimated population of 165,324, as of 2019. The government serves as a regional 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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