

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Manhattan, KS's GOULT Bonds, Ser. 2021-A

07 May 2021

New York, May 07, 2021 -- Moody's Investors Service has assigned a Aa2 rating to the City of Manhattan, KS's \$5.5 million General Obligation Bonds, Series 2021-A. Moody's maintains the Aa2 general obligation unlimited tax (GOULT) rating on the city's outstanding bonds, affecting approximately \$230 million of rated debt.

RATINGS RATIONALE

The Aa2 rating reflects the city's stable but somewhat concentrated economy due to the presence of two significant institutions: Fort Riley and Kansas State University (Aa3 stable). The rating also incorporates the city's satisfactory operating reserves which are bolstered by significant liquidity outside the principal operating funds. Finally, the rating reflects an elevated debt burden that is somewhat mitigated by support from non-levy sources, elevated fixed costs and a manageable pension liability. The coronavirus pandemic is not a rating driver for the city given the healthy amount of available liquidity.

RATING OUTLOOK

Moody's generally does not assign outlooks to local government issuers with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Material growth in operating reserves
- Significant reduction in the debt burden and/or fixed costs
- Substantial tax base growth

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Reduced operating reserves or outside liquidity below targeted thresholds
- Any material increase in the debt burden and/or fixed costs
- Contraction of the local economy or tax base

LEGAL SECURITY

The bonds are general obligations of the city payable in part from special assessments levied upon the property benefitted by the construction of improvements financed with the refunded note proceeds, or from ad valorem taxes which may be levied without limitation as to rate or amount upon all taxable tangible property, real and personal, within the territorial limits of the city.

USE OF PROCEEDS

Bond proceeds will refund the outstanding General Obligation Temporary Notes, Series 2017-04 and General Obligation Temporary Notes, Series 2018-01 due June 15, 2021. The refunded notes were originally issued to finance various street and utility improvements that benefitted several special assessment districts in the city and various capital projects.

PROFILE

Located 56 miles west of Topeka (Aa3), Manhattan is the county seat for Riley County (Aa2) and functions as a regional retail hub. The city is home to Kansas State University and Fort Riley, a US Army installation at which approximately 15,000 soldiers are based. The city has approximately 55,000 residents.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this 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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