

# RatingsDirect®

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## Summary:

# El Dorado, Kansas; General Obligation; Note

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### Credit Profile

US\$6.595 mil GO bonds ser 2024 A dtd 08/29/2024 due 11/01/2044		
<i>Long Term Rating</i>	AA-/Stable	New
US\$3.97 mil GO nts ser 2024-1 dtd 08/29/2024 due 11/01/2027		
<i>Short Term Rating</i>	SP-1+	New
El Dorado GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
El Dorado GO nts ser 2024-1 dtd 08/29/2024 due 11/01/2027		
<i>Short Term Rating</i>	SP-1+	Current

### Credit Highlights

- S&P Global Ratings assigned its 'AA-' long-term rating to El Dorado, Kan.'s anticipated \$6.6 million series 2024-A general obligation (GO) bonds and its 'SP-1+' short-term rating to the city's anticipated \$3.97 million series 2024-1 GO notes.
- At the same time, we affirmed our 'AA-' rating on the city's existing GO debt.
- The outlook, where applicable, is stable.

### Security

The city's full-faith-and-credit pledge, including its unlimited ad valorem property-tax pledge, secures the GO bonds and notes. In addition, special assessments levied against properties that benefited from certain improvements partially secure the GO bonds and notes; however, we rate special assessment-supported debt based on the city's GO pledge. The short-term rating reflects our opinion of the notes' low market-risk profile.

Proceeds from the 2024-A bonds and 2024-1 notes will be used to fund city infrastructure projects and to retire a portion of the city's previously issued GO temporary notes.

### Credit overview

El Dorado is a residential suburb located in south-central Kansas, 25 miles east of Wichita. The city's favorable location along several major thoroughfares provides residents with direct access to employment opportunities in the greater Wichita area. Management notes that its diverse tax base should grow modestly due to residential, commercial, and retail development. Due to state budget laws, most Kansas cities budget for a deficit to maintain enhanced budget-spending authority in case of an emergency. Therefore, cities commonly adopt deficit budgets, although the deficits generally do not materialize at fiscal year-end. Operating performance in recent years has been strong, aided by strong sales tax collections and expenditure savings due to vacancies. The fiscal 2024 budget reflects a deficit, which is typical; officials, however, expect balanced or positive general fund performance. Management notes there are no plans to spend down reserves over the near term; therefore, we expect they will likely remain very strong and

above the city's reserve policy. The city periodically issues debt pursuant to its capital improvement plans (CIP), and officials note they have plans for additional debt of approximately \$2.8 million in fiscal 2026. Since a similar amount of debt rolls off during the same period, we do not expect a significant change in the city's liability profile from the additional debt.

The rating reflects our opinion of the city's:

- Suburban local economy with access to a broad and diverse metropolitan statistical area, a stable local employment base, and a tax base that has continued growth; however, per capita wealth and income remain below-average;
- Strong financial profile with reserves that exceed its fund balance policy and positive projected operating performance;
- Good financial policies and practices under our Financial Management Assessment (FMA) methodology, highlighted by conservative budgeting with monthly financial reports shared with the city commission, a formal investment policy with quarterly reporting, a five-year CIP, a formal debt-management policy, a formal reserve policy that calls for maintenance of general fund balance within 15% to 25% of the average of the prior three years' operating expenditures, cyber security mitigating factors, and a strong institutional framework; and
- Manageable debt burden, with potential for additional debt, and modest pension and other postemployment benefit (OPEB) costs; however, we believe these costs could increase during the next few years.

**Environmental, social, and governance**

The city's environmental, social, and governance factors are neutral within our credit rating analysis.

**Outlook**

The stable outlook reflects our expectation that the city' economy will remain stable and that management will maintain its very strong reserves during our two-year outlook horizon.

**Downside scenario**

We could lower the rating if budgetary performance were to weaken, leading to a material reduction in reserves below levels we consider very strong.

**Upside scenario**

Assuming all other rating factors remain stable or improve, we could raise the rating if income indicators were to improve to levels we consider commensurate with what we typically see among higher-rated peers.

El Dorado, Kansas--Key credit metrics				
	Most recent	Historical information		
		2023	2022	2021
<b>Weak economy</b>				
Projected per capita EBI % of U.S.	65			
Market value per capita (\$)	60,791			
Population	12,938	12,347	12,312	
County unemployment rate (%)		2.8		

## El Dorado, Kansas--Key credit metrics (cont.)

	Most recent	Historical information		
		2023	2022	2021
Market value (\$000)	786,519	778,105	641,244	
Ten largest taxpayers % of taxable value	11.1			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		11.4	41.0	(8.6)
Total governmental fund result % of expenditures		19.2	13.0	(13.0)
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		61.0	74.8	41.6
Total available reserves (\$000)		5,559	5,530	3,853
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		160	128	88
Total government cash % of governmental fund debt service		1,367	1,091	782
<b>Strong management</b>				
Financial Management Assessment	Good			
<b>Adequate debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		11.7	11.7	11.3
Net direct debt % of governmental fund revenue	128			
Overall net debt % of market value	9.0			
Direct debt 10-year amortization (%)	82			
Required pension contribution % of governmental fund expenditures		5.8		
OPEB actual contribution % of governmental fund expenditures		0.4		

**Strong institutional framework****EBI--Effective buying income. OPEB--Other postemployment benefits.**

Data points and ratios may reflect analytical adjustments.

## Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

### Ratings Detail (As Of July 24, 2024)

El Dorado GO rfdg and imp bnds		
Long Term Rating	AA-/Stable	Affirmed
El Dorado GO rfdg and imp bnds ser 2021A due 11/01/2041		
Long Term Rating	AA-/Stable	Affirmed
El Dorado GO Rfdg and Imp Bnds		
Long Term Rating	AA-/Stable	Affirmed

## Summary: El Dorado, Kansas; General Obligation; Note

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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