

Research Update:

Olathe, KS Series 2026 Water And Sewer System Improvement Bonds Rated 'AA+'; Outlook Stable

October 6, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the City of [Olathe](#), Kansas' approximately \$50 million series 2026 water and sewer system revenue bonds.
- At the same time, we affirmed our 'AA+' rating on the city's existing water and sewer revenue debt.
- The outlook is stable.

Rationale

Security

The bond provisions are credit neutral, in our opinion. The bonds are secured by net revenues of the water and sewer system. Olathe has established a rate covenant requiring gross revenue equal to at least 1.1x annual debt service coverage (DSC) on all water/sewer bonds. Bond proceeds will be used to finance improvements to the wastewater treatment plant as well as for rehabilitation and improvement of other system assets. Further issuance is subject to an additional bonds test. The system has approximately \$150 million in parity debt outstanding before this issuance.

Credit highlights

The rating reflects our view of the system's operational and financial management practices, which contribute to robust all-in coverage and liquidity metrics that we expect to remain stable over our outlook period. The service area continues to experience ample growth, with above-average incomes and stable employment metrics providing headroom for management to pass necessary rate increases without pressuring affordability. We believe the rating is currently constrained by the utility's large capital plan and anticipated debt requirements.

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

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- Service area participation in the Kansas City metropolitan statistical area, which we consider to be a broad and diverse economy, with above-average incomes and stable employment metrics;
- Growing debt burden, which remains manageable at a debt-to-capitalization ratio of approximately 35%, with plans for additional debt to support the system’s \$245 million five-year capital improvement plan (CIP);
- Unrestricted cash position of approximately \$80 million, which is expected to remain stable over the outlook period, with \$6 million-\$8 million in annual capital outlays over our outlook period;
- Long-term financial planning, with multiyear rate setting contributing to stable all-in DSC that is expected to remain 1.6x-1.8x over the outlook period; and
- Slightly above-average environmental risk given the system’s exposure to tornado activity and flooding.

Outlook

The stable outlook reflects our view that the utility will maintain extremely strong coverage and liquidity metrics while pursuing its sizable CIP. This expectation of stability in financial metrics is driven by management’s long-term financial planning practices including multiyear rate planning, five-year financial forecasting, and conservative budget assumptions.

Downside scenario

We could lower the rating if coverage deteriorates below levels we consider extremely strong given expectations of further issuance to support capital improvement spending.

Upside scenario

We are unlikely to raise the rating over our two-year outlook period given inflationary pressures and construction delays introducing execution risk as Olathe pursues capital improvements necessitated by growth within the service area.

Olathe, Kansas--economic and financial data

	Most recent	Fiscal year-end			Median (AA+)
		2025	2024	2023	
Economic data					
MHHEBI of the service area as % of the U.S.	133.0				112.0
Unemployment rate (%)	3.4				3.7
Poverty rate (%)	6.0				10.1
Water rate (6,000 gallons or actual) (\$)	44.2				
Sewer rate (6,000 gallons or actual) (\$)	69.1				
Annual utility bill as % of MHHEBI	1.5				1.1
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		67,236	76,814	63,695	46,497
Total operating expenses less depreciation (\$000s)		42,066	58,806	41,937	30,854

Olathe, Kansas--economic and financial data

	Most recent	Fiscal year-end			Median (AA+)
		2025	2024	2023	
Net revenues available for debt service (\$000s)		27,945	23,207	25,146	15,826
Debt service (\$000s)		14,386	13,003	12,630	5,124
S&P Global Ratings-adjusted all-in DSC (x)		1.9	1.8	2.0	2.7
Unrestricted cash (\$000s)		82,818	70,278	61,471	65,397
Days' cash of operating expenses		719	436	535	681
Total on-balance-sheet debt (\$000s)		207,830	130,658	181,792	62,625
Debt-to-capitalization ratio (%)		36.8	27.6	35.4	23.1
Financial management assessment	Strong	--	--	--	Good

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income.
DSC--Debt service coverage.

Ratings List

New Issue Ratings

US\$50,425,000 Olathe, Kansas, Water And Sewer System Improvement Revenue Bonds, Series 2026, dated: Date of Delivery, due: July 1, 2046City of	
Long Term Rating	AA+/Stable

Ratings Affirmed

Water & Sewer

Olathe, KS Water and Sewer System	AA+/Stable
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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.

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