

Research Update:

Olathe, KS Series 2026 Stormwater System Revenue 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 \$3 million series 2026 stormwater system revenue bonds.
- At the same time, we affirmed our 'AA' rating on the city's existing stormwater revenue debt.
- The outlook is stable.

Rationale

Security

The bonds are secured by a gross revenue pledge of stormwater management fees. Olathe has established a rate covenant requiring gross revenue equal to at least 1.2x annual debt service coverage (DSC) on all stormwater bonds. Bond proceeds will be used to finance improvements and expansion of the city's stormwater system. Further issuance is subject to an additional bonds test limiting the issuance of new debt unless net revenue, either from the previous fiscal year or on a pro forma basis, is at least 1.6x maximum annual debt service. Net revenue includes gross revenue plus all other revenue collected from the operation of the system, as well as investment income, but does not include intergovernmental transfers or grants, less operating expenses. The bond provisions are credit neutral, in our opinion. The total parity debt for the system is approximately \$10 million before this issuance.

Credit highlights

The rating reflects our view of consistent growth within the service area and proactive management practices that support healthy DSC amid rising annual debt service. The rating is tempered by the system's nominally thin liquidity position compared with that of peers, and sizable capital needs, with the system's debt-to-capitalization ratio remaining elevated with the expectation of future issuance. Although these factors limit overall financial flexibility, we expect the capital improvements will continue to make the system more resilient to climate and regulatory risks.

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

- 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;
- Proactive rate setting, with expectations of 5%-8% rate increases over our outlook period expected to contribute to coverage in line with historical performance without pressuring affordability;
- Elevated debt burden, with the system’s debt-to-capitalization ratio expected to be at least 80% over our outlook period;
- Relatively sizable 2027-2031 capital improvement plan totaling approximately \$40 million to be funded primarily through debt, alongside cash-funding and reimbursements through Stormwater Management Advisory Council;
- Codified financial and operational management practices, which make the system resilient to one-time shocks and contribute to long-term financial stability; 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 system’s financial management practices will contribute to maintaining extremely strong all-in DSC while leverage remains elevated and management pursues capital improvements to support expansion within the service area.

Downside scenario

We could lower the rating should liquidity meaningfully deteriorate from currently adequate levels or if unforeseen capital costs pressure financial performance.

Upside scenario

We could take a positive rating action if the system’s reserve position improves to levels we consider commensurate with a higher rating as Olathe continues its capital improvement spending.

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				113.0
Unemployment rate (%)	3.4				3.7
Poverty rate (%)	6.0				10.1
Water rate (6,000 gallons or actual) (\$)	7.4				
Sewer rate (6,000 gallons or actual) (\$)	0.0				
Annual utility bill as % of MHHEBI	0.1				1.1
Operational management assessment	Strong				Good

Olathe, Kansas--economic and financial data

	Most recent	Fiscal year-end			Median (AA)
		2025	2024	2023	
Financial data					
Total operating revenues (\$000s)		6,050	5,925	5,636	26,885
Total operating expenses less depreciation (\$000s)		4,108	4,049	3,609	17,184
Net revenues available for debt service (\$000s)		1,942	1,876	2,027	7,755
Debt service (\$000s)		812	526	476	2,963
S&P Global Ratings-adjusted all-in DSC (x)		2.4	3.6	4.3	2.5
Unrestricted cash (\$000s)		1,965	1,401	2,186	27,366
Days' cash of operating expenses		175	126	221	649
Total on-balance-sheet debt (\$000s)		13,650	10,635	11,250	33,014
Debt-to-capitalization ratio (%)		83.4	83.1	79.8	25.6
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\$3.000 mil stormwtr sys rev bnds ser 2026 due 10/01/2046	
Long Term Rating	AA/Stable
Ratings Affirmed	
Water & Sewer	
Olathe KS Stormwater Revenues	AA/Stable

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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