

Summary:

**Topeka, Kansas; General Obligation;
Note**

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Credit Profile		
US\$8.0 mil GO imp nts ser 2023-B due 10/31/2024		
Short Term Rating	SP-1+	New
US\$5.6 mil GO imp bnds ser 2023A due 08/15/2038		
Long Term Rating	AA/Stable	New
US\$1.4 mil GO temp renewal & imp nts ser 2023-A due 10/01/2024		
Short Term Rating	SP-1+	New

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to the City of Topeka, Kan.'s series 2023-A general obligation (GO) bonds and its 'SP-1+' short-term rating on series 2023-A and taxable series 2023-B GO temporary notes.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the city's existing GO debt.
- S&P also affirmed its 'SP-1+' short-term rating on the city's existing GO temporary notes.
- The outlook, where applicable, is stable.

Security

Topeka's full-faith-and-credit pledge, including an unlimited ad valorem property tax pledge, secures the GO bonds. For certain GO debt, Topeka pledges special assessment taxes levied against real property in the city that benefited from certain improvements. The city also pledges incremental property tax revenue derived in certain tax increment financing districts, as well as state sales tax revenue and tax revenue generated within the Heartland Park motorsports redevelopment district. While Topeka intends to pay debt service from these other revenue sources, we rate the bonds to the city's GO pledge because we lack sufficient information to assess the other pledges.

The short-term rating reflects our view of the city's long-term rating and low market-risk profile, including the authority to issue take-out debt, coupled with the availability of pertinent disclosure information. State law requires the authorization of GO debt before the issuance of temporary notes. Temporary notes are a GO of the city, secured by a pledge of its full faith credit and resources. The 2023-A and 2023-B notes have a maturity of Oct. 1, 2024.

Proceeds from the 2023A bonds and notes will fund various facility and infrastructure projects. The 2023B notes will fund the lease purchase of a hotel to provide interim financing until a long-term funding solution is finalized.

Credit overview

Topeka's role as a northeast Kansas economic hub and vital retail center supports the local economy and provides stability. Examples of recent economic activity include the Goodyear tire manufacturing plant, one of the largest employers in the city, that recently announced a five-year investment of \$125 million in the Topeka plant that will also add up to 40 new jobs. Ryder , a transportation and fleet management company, plans to expand in Topeka with a

\$2.5 million capital investment that will result in up to 50 new full-time jobs. A new Panasonic battery plant is located just outside the city limits that is expected to benefit the entire area with job creation and a need for suppliers. After a housing needs study completed in 2020, Topeka initiated a program in 2022 to add affordable housing and to fill gaps in middle and higher end housing.

Officials noted an interim city manager was recently appointed and that turnover in this role is not expected to have financial or operational impacts on the city. Topeka has historically maintained strong budgetary performance and general fund reserves supported by conservative budgeting. In fiscal 2022, the general fund ended with a \$3.6 million surplus, with strong sales tax collections and underspending on expenditures. In fiscal 2023, sales tax revenues are exceeding budgeted assumptions by \$4.6 million. When the available general fund balance exceeds 20% of general fund revenues, Topeka transfers excess revenues out of the general fund for one-time capital needs. The city received just over \$45 million in federal stimulus funds with \$10 million going toward community projects and \$35 million funding for a one-time capital outlay. We believe Topeka will continue to practice conservative budgeting that supports healthy financial operations.

The city has plans for additional debt that will total \$180 million and be issued over the next five years. However, amortization of 60% is above average and will support layering in of additional debt.

The rating further reflects our opinion of Topeka's:

- Growing local economy, and role as the state capital, that is anchored by state government employment;
- Strong financial policies and practices that include monthly budget-to-actual financial reporting, long-term financial and capital plans, debt and investment policies, and a reserve policy equal to 15% of general fund revenues; as well as strong institutional framework score;
- Available general fund reserve totaling \$27.3 million, equal to 28% of general fund expenditures, in fiscal 2022; and
- Manageable pension liabilities comprising 7% of expenditures and the state plan is 70% funded.

Environmental, social, and governance

We have analyzed the city's environmental, social, and governance factors relative to Topeka's economy, finances and debt and have determined that all are neutral in our credit analyses.

Outlook

The stable outlook reflects our view that Topeka's growing economy and conservative budgeting will continue to support at least stable financial operations during the two-year outlook period.

Downside scenario

We could lower the rating if Topeka's economy were to deteriorate substantially or if budgetary performance or reserves were to materially weaken.

Upside scenario

With all else being equal, we could raise the rating if economic indicators were to improve and be sustained at levels

we consider comparable with those of higher-rated peers.

Topeka, Kansas--key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
Adequate economy				
Projected per capita EBI % of U.S.	77.6			
Market value per capita (\$)	73,487.9			
Population		125,060	125,727	
County unemployment rate(%)	2.7			
Market value (\$000)	9,190,400	8,467,388	8,146,325	
Ten largest taxpayers % of taxable value	12.8			
Strong budgetary performance				
Operating fund result % of expenditures	3.7	4.9	4.0	
Total governmental fund result % of expenditures	16.4	13.8	7.3	
Very strong budgetary flexibility				
Available reserves % of operating expenditures	28.0	27.9	24.6	
Total available reserves (\$000)	27,290	26,379	22,126	
Very strong liquidity				
Total government cash % of governmental fund expenditures	159.4	157.4	141.4	
Total government cash % of governmental fund debt service	1,382.6	985.3	1,125.5	
Very strong management				
Financial Management Assessment	Strong			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures	11.5	16.0	12.6	
Net direct debt % of governmental fund revenue	88.0			
Overall net debt % of market value	4.7			
Direct debt 10-year amortization (%)	60.2			
Required pension contribution % of governmental fund expenditures	7.0			
OPEB actual contribution % of governmental fund expenditures	0			
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
- 2022 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of July 27, 2023)

Ratings Detail (As Of July 27, 2023) (cont.)

Topeka GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
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<i>Long Term Rating</i>	AA/Stable	Affirmed
Topeka GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Topeka GO bnds taxable		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Topeka GO rfdg bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Topeka GO rfdg bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Topeka GO temp renewal and imp nts ser 2022B due 10/01/2023		
<i>Short Term Rating</i>	SP-1+	Affirmed
Topeka GO (MBIA) (National)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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