New York, August 04, 2020 -- Moody's Investors Service has assigned a Aa3 rating to the City of Topeka, KS' $96.7 million Combined Utility Refunding and Improvement Revenue Bonds, Series 2020-A. We maintain the Aa3 rating on the system's outstanding combined utility revenue debt. The outlook is stable.

RATINGS RATIONALE

The Aa3 rating reflects the system's large and stable service area, healthy liquidity, and planned rate increases to support its capital improvement plans. The rating also considers the narrowing but moderate debt service coverage, as well as a high but manageable debt burden.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Topeka Combined Utility Enterprise given its essential operations and stable financial position with strong system liquidity. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Topeka Combined Utility Enterprise changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The stable outlook reflects the expectation that the system's credit fundamentals will remain stable over the near term despite debt issuance plans. The rating also incorporates conservative fiscal management and a demonstrated willingness to adjust revenues as needed to support operations and capital expenditures.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Sustained and material increase in debt service coverage
- Significant moderation of debt burden

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Trend of declining debt service coverage
- Debt issuance without corresponding system growth

LEGAL SECURITY

The Series 2020-A bonds are secured by a junior lien on the net revenues of the combined water, sewer, and stormwater system.

USE OF PROCEEDS

Proceeds from the Series 2020-A bonds will fund a number of capital improvement throughout the combined utility system, while a portion of the bonds will be used to refund a portion of the system's outstanding combined utility revenue debt.

PROFILE

The combined utility system provides water (wholesale and retail), wastewater and stormwater services to the City of Topeka, KS and surrounding areas, including six rural water districts and the airport. The combined utilities serve a population of approximately 165,000.

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.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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