

## CREDIT OPINION

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# City of Hutchinson, KS

## Update to credit analysis

### Summary

[The City of Hutchinson, KS](#)' (Aa3) credit profile reflects strong operating reserves and liquidity, which will remain sound despite a moderate general fund deficit forecast for fiscal 2025 (Dec 31 year end). The city's resident income and property wealth ratios are below the median for the rating category, and the city has a multiyear trend of declining population which is expected to continue. The city's long-term liabilities and fixed costs will remain manageable given a slower pace of planned issuance.

### Credit strengths

- » Robust operating reserves and liquidity driven by strong tax revenue
- » Moderate long-term liabilities and low fixed costs

### Credit challenges

- » Below median resident income and property wealth levels
- » Financial reporting does not disclose a modified accrual-based fund balance, other post-employment liability, capital asset values or depreciation

### Rating outlook

We do not assign outlooks to local governments with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » Trend of local economic growth exceeding the national rate that leads to strengthened resident income and full value per capita

### Factors that could lead to a downgrade

- » Inability to maintain balanced operations, resulting in available fund balances declining to under 35% of revenue
- » Substantial increase in long-term liabilities to over 200% of revenue

## Key indicators

Exhibit 1

### Hutchinson (City of) KS

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	87.4%	86.5%	88.1%	N/A	114.1%
Full Value (\$000)	\$2,029,887	\$2,077,534	\$2,199,477	\$2,325,305	\$2,888,367
Population	40,202	39,995	39,837	N/A	22,430
Full value per capita (\$)	\$50,492	\$51,945	\$55,212	N/A	\$125,640
Annual Growth in Real GDP	2.1%	-1.8%	3.4%	N/A	2.0%
<b>Financial Performance</b>					
Revenue (\$000)	\$81,576	\$94,541	\$88,968	\$96,159	\$52,335
Available fund balance (\$000)	\$53,935	\$61,241	\$50,939	\$52,881	\$29,526
Net unrestricted cash (\$000)	\$58,355	\$73,971	\$69,451	\$68,778	\$41,432
Available fund balance ratio (%)	66.1%	64.8%	57.3%	55.0%	57.1%
Liquidity ratio (%)	71.5%	78.2%	78.1%	71.5%	79.6%
<b>Leverage</b>					
Debt (\$000)	\$53,895	\$55,528	\$46,432	\$43,418	\$37,305
Adjusted net pension liabilities (\$000)	\$90,178	\$71,188	\$64,738	\$57,806	\$45,496
Adjusted net OPEB liabilities (\$000)	\$0	\$0	\$0	N/A	\$4,376
Other long-term liabilities (\$000)	\$3,870	\$3,660	\$3,860	\$4,269	\$1,726
Long-term liabilities ratio (%)	181.4%	137.9%	129.3%	109.7%	210.2%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$4,295	\$3,780	\$3,878	\$3,225	\$2,477
Pension tread water contribution (\$000)	\$3,168	\$2,539	\$3,233	\$3,478	\$1,199
OPEB contributions (\$000)	\$0	\$0	\$0	\$0	\$179
Implied cost of other long-term liabilities (\$000)	\$0	\$271	\$256	\$268	\$115
Fixed-costs ratio (%)	9.1%	7.0%	8.3%	7.3%	9.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Reno County, Kansas.

Sources: US Census Bureau, Hutchinson (City of) KS's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

The City of Hutchinson is located in south central Kansas, approximately 45 miles northwest of Wichita, and is the county seat of Reno County. The city has a population of 39,837 per the 2023 American Community Survey. In addition to general government services including public safety, the city provides business services via a municipal airport, and water and sewer utilities.

## Detailed credit considerations

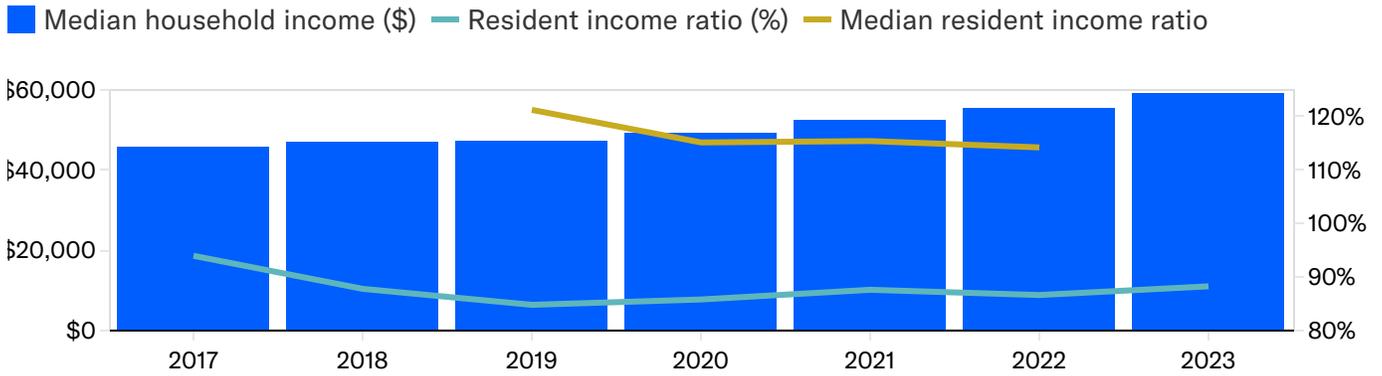
Hutchinson's local economy is characterized by its residential character. Its largest employers consist of a large hospital and state and local governments, which will continue to drive stability. The city has experienced steady population declines since 2014 as younger residents relocate to Wichita for job opportunities.

The city's financial position is likely to remain strong, despite fiscal 2025's forecast general fund deficit, driven by personnel costs exceeding budgeted expenditures. For fiscal 2026, management plans to refine its budgeting process for fiscal 2026 to account for reduced staff vacancy rates. Management also increased the general fund property tax rate for fiscal 2026 and will approach voters for a dedicated sales tax for various capital improvements, which could further support operations by reducing general fund dollars spent on capital. Business-type activities, consisting of water, sewer, storm water, and refuse utilities, a golf course, and airport operations, continue to demonstrate continued year-over-year growth in their net unrestricted assets.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

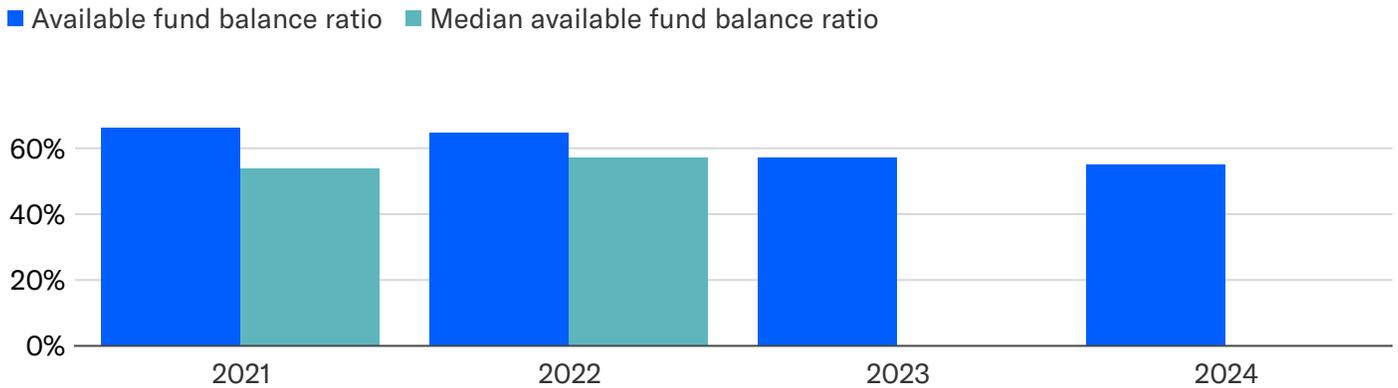
Hutchinson's long-term liabilities ratio may increase slightly in subsequent years, though the ratio will remain manageable at around 150% of revenue. Management anticipates the city's pace of issuance will be slower over the next few years, as the current issuance pulls some water capital forward. The city's utility is likely to access state revolving funds for some projects.

Exhibit 2  
Resident Income



Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

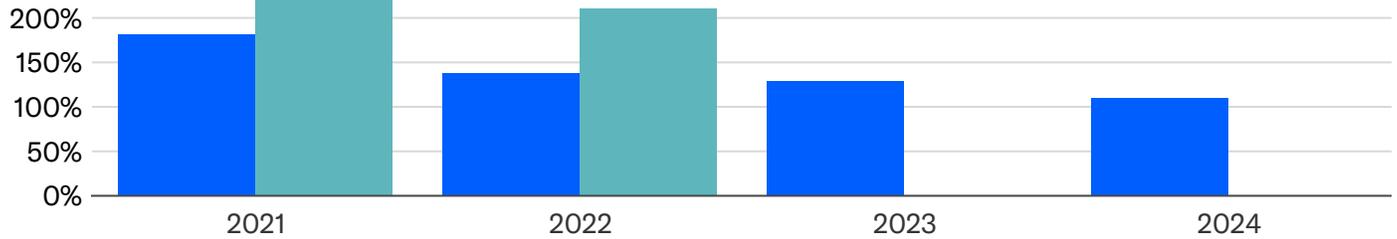
Exhibit 3  
Fund Balance Ratio



Source: Audited financial statements; Moody's Ratings

Exhibit 4  
**Total Primary Government - Long Term Liabilities**

■ Long-term liabilities ratio ■ Median long-term liabilities ratio



Source: Audited financial statements; Moody's Ratings

**ESG considerations**

**Environmental**

Hutchinson has limited exposure to environmental risks. The city's water is sourced from the Equus Beds Groundwater Aquifer via a number of water wells. To continue to meet water-supply demands in south-central Kansas, the aquifer is subject to an artificial recharge project. Additionally, extreme weather events are typically accompanied by state and federal assistance, which further mitigates environmental risk.

**Social**

Hutchinson has limited exposure to social risks. The city's demographic trend is moderately negative with a declining population trend and above average out migration. The city benefits from a strong labor market with the unemployment rate typically performing better than the national rate and has a low crime rate.

**Governance**

Hutchinson's exposure to governance risks is limited. The city is governed by a council comprised of five members, with four elected from districts and one elected at large. The five council members elect the mayor from their body. The council also appoints the city manager, who is the chief executive and administrative officer of the city. The city operates under a policy to maintain general fund reserves of two months of operating revenue or expenditures, whichever is higher; the city typically exceeds this minimum policy.

Kansas cities have a strong ability to match revenues to expenditures. Property taxes are subject to state-imposed caps which can be overridden by the governing body, sales taxes can be increased with voter approval, and utility fees can be increased by the governing body. Cities have significant expenditure flexibility, particularly with non-public safety employee costs.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 5

### Hutchinson (City of) KS

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	88.1%	10.0%	A
Full value per capita	61,187	10.0%	A
Economic growth metric	-1.2%	10.0%	A
<b>Financial Performance</b>			
Available fund balance ratio	55.0%	20.0%	Aaa
Liquidity ratio	71.5%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	109.7%	20.0%	Aa
Fixed-costs ratio	7.3%	10.0%	Aaa
<b>Notching factors</b>			
Financial disclosures	-1.5		
Scorecard-Indicated Outcome			Aa3
<b>Assigned Rating</b>			<b>Aa3</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Reno County, Kansas Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Hutchinson (City of) KS's financial statements and Moody's Ratings

## Appendix

Exhibit 6

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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