

Research Update:

Sterling, KS Series 2026 Bonds Rated 'A-'; Outlook Negative

September 28, 2026

Because of a system error, the original publication of this report went out with an erroneous headline. A corrected version follows.

Overview

- S&P Global Ratings assigned its 'A-' underlying rating to [Sterling](#), Kansas' series 2026 bonds.
- At the same time, we affirmed our 'SP-1' short-term rating on the city's temporary notes outstanding.
- The outlook is negative.
- The negative outlook reflects a one-in-three chance that we could lower the rating if the city does not return to balanced financial results and continues to draw down on its already low reserves.

Rationale

Security

Both the bonds and temporary notes are a general obligation of the city, secured by its full-faith-credit-and-resources pledge, including its ability to levy ad valorem property taxes without limitation as to rate or amount.

Officials will use the bond proceeds to finance the purchase of a new three-megawatt generator for the city-owned power plant.

Credit highlights

The rating reflects our view of the city's expected deterioration in its financial position, which will draw on the city's already nominally thin reserve position. The rating also reflects the city's rural and small but stable taxbase and manageable debt burden.

The city's budget is small and deviations from balanced expectations can swing results wildly on a percentage basis. Fiscal 2024 ended with a seemingly large \$334,000 surplus driven solely by

Primary Contact

Sam Krouse

Austin
1-214-871-1409
sam.krouse
@spglobal.com

Secondary Contact

Derrick Rayford

Chicago
(1) 312-233-7147
derrick.rayford
@spglobal.com

the addition of \$410,000 in bond proceeds that was then transferred into a separate fund after year-end. Without those one-time revenues, the city ran a \$76,000 operating deficit (5.6% of revenues) driven by increased operating costs and missed budget expectations, particularly from its proprietary funds that were unable to make their yearly transfers in due to their own operating losses. Fiscal 2025 draft results show the effects of transferring out the bond proceeds and another operating loss of roughly \$153,000 (11.4%; largely the same drivers as the prior year). We expect available reserves, which include cash within the general fund and the ambulance and fire equipment fund) to drop to \$233,000, or 17.3% of revenues. To help combat the ongoing budget shortfall in the city's utilities, rates were increased across the board in fiscal 2026, the first in many years, which management hopes will be sufficient to cover operating losses within those funds and allow for the annual transfers to the general fund by year end. Despite the improvement to the utility funds, the general fund is still operating at a loss through the first nine months of the fiscal year. The city does not have projections to what the loss may be by year-end before transfers in from the utilities.

The rating reflects our view of the following:

- Limited taxbase in a county that exhibits above-average gross county product per capita, which is offset by its below-average per capita incomes.
- While operating performance has been mixed in recent years, we expect it to deteriorate in fiscal years 2025 and 2026 due to rising costs and struggling proprietary funds unable to support general fund operations. As a result, the city's already nominally thin available reserves are expected to decline further.
- Financial management that currently lacks long-term financial planning practices, although the city recently adopted a five-year capital improvement plan. The city's budget practices have been optimistic in recent years given missed projections such as the annual expectations of transfers from its various proprietary funds that have not actualized. The city maintains a formal investment and debt management policy, and maintains an informal reserve target of 16%-17% or two months of expenditures. We expect the city to be at or lower than this target by ending fiscal 2026. The city's cyber risk mitigation measures align with our view of its overall risk management policies and practices.
- A still manageable debt burden that we expect to moderate given the intended repayment structure of the current issuance will be funded via a generation recovery rider, which is charged to each of the municipality's utility customers. There is no additional new money debt issuance plans outside of a permanent take out of the city's temporary note in 2028.
- Though physical risks are relevant for the local government sector, we consider Sterling's exposure to natural hazards, including flooding and extreme weather, low compared with that of national peers and in a nominal sense, and therefore not a material factor in our credit analysis.
- For more information on our institutional framework assessment for Kansas cities, see "[Institutional Framework Assessment: Kansas Local Governments](#)," Sept. 9, 2024, on RatingsDirect.

Outlook

The negative outlook reflects the expected deterioration in financial health in fiscal years 2025 and 2026, with a one-in-three chance that we could lower the rating if the city does not return to balanced financial results and continues to draw down on its already-low reserves.

Downside scenario

We could lower the rating if results are below expectations and the city continues to report operating deficits that result in further reserve depletion or the need to supplement liquidity needs via borrowing.

Upside scenario

We could revise the outlook to stable if the city demonstrates a track record of positive operations and maintenance of reserves at levels comparable with those of higher-rated peers, without a deterioration in any other credit factors.

Sterling, Kansas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.85
Economy	4.0
Financial performance	5
Reserves and liquidity	5
Management	3.00
Debt and liabilities	2.25

Sterling, Kansas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	--	117	114	108
County PCPI as % of U.S.	--	82	82	74
Market value (\$000s)	125,831	115,069	99,931	86,994
Market value per capita (\$)	--	50,602	44,772	39,687
Top 10 taxpayers as % of taxable value	--	--	--	--
County unemployment rate (%)	3.3	3.3	2.9	2.5
Local median household EBI as % of U.S.	--	78	74	76
Local per capita EBI as % of U.S.	--	64	60	59
Local population	--	2,274	2,232	2,192
Financial performance				
Operating fund revenue (\$000s)	--	1,347	951	923
Operating fund expenditures (\$000s)	--	1,108	1,255	1,029
Net transfers and other adjustments (\$000s)	--	95	206	132
Operating result (\$000s)	--	334	(98)	26
Operating result as % of revenue	--	24.8	(10.3)	2.8
Operating result three-year average %	--	5.8	(4.5)	0.5
Reserves and liquidity				
Available reserves as % of operating revenue	--	51.8	38.2	49.9
Available reserves (\$000s)	--	698	363	461
Debt and liabilities				
Debt service cost as % of revenue	--	--	--	--
Net direct debt per capita (\$)	4,315	894	788	899

Sterling, KS Series 2026 Bonds Rated 'A-'; Outlook Negative

Sterling, Kansas--key credit metrics

Net direct debt (\$000s)	9,593	2,033	1,759	1,971
Direct debt 10-year amortization (%)	58	67	72	72
Pension and OPEB cost as % of revenue	--	5.2	6.0	5.9
NPLs per capita (\$)	--	571	589	583
Combined NPLs (\$000s)	--	1,298	1,315	1,278

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$2.960 mil GO bnds ser 2026 dtd 10/29/2026 due 10/1/2041	
Long Term Rating	A-/Negative

New Rating

Local Government

Sterling, KS Unlimited Tax General Obligation	A-/Negative
---	-------------

Ratings Affirmed

Local Government

Sterling, KS Unlimited Tax General Obligation Bond Anticipation Notes	SP-1
---	------

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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.