

Research Update:

Garnett, KS Series 2026 GO Bonds Assigned 'A' Rating

September 4, 2026

Overview

- S&P Global Ratings assigned its 'A' long-term rating to [Garnett](#), Kansas' \$3.565 million series 2026 general obligation (GO) bonds.
- The outlook is stable.

Rationale

Security

The city's full faith and credit, including revenue from ad valorem taxes that may be levied without legal limitation as to rate or amount on all taxable tangible property within city limits, secures the GO bonds.

Bond proceeds will be used for the construction of a new swimming pool and bath house renovations.

Credit highlights

The rating reflects our view of the city's healthy reserves when accounting for its available funds outside of the general fund, offset by its limited economy, elevated debt costs, and aging infrastructure that the city is working to address.

Located approximately 75 miles southwest of Kansas City, Garnett serves a population of about 3,200 residents. Assessed valuation has trended positively for the city, and management expects this to continue through both appreciation as well as some developments within its taxing boundaries. Notable developments include the recent construction of four new duplexes, with five more planned to be finished in February 2027, two more expected to be finished in the summer of 2027, and two more planned afterwards. A single-family home was constructed recently with a developer intending to build another 12 to 15 on land that was recently closed on. The city expects to see 30 to 50 new homes over the next two years. We view the economy as stable but limited, with management noting that ad valorem taxes make up only about 18% of general fund revenue.

Primary Contact

Adam Steele

Englewood
3037214917
adam.steele
@spglobal.com

Secondary Contact

Grace Wiczek

Englewood
grace.wiczek
@spglobal.com

The city's financial operations have been mixed recently, hovering around breakeven for fiscal years 2023 and 2024, when accounting for transfers out to other funds we consider available (capital improvement fund and equipment reserve fund). The city closed fiscal 2025 with a deficit of approximately 11% of general fund revenues when factoring out the regular transfers, though management notes transfers were higher in fiscal 2025 in preparation for potential maintenance. Factoring out transfers, the remainder of the deficit was attributed to unexpected maintenance items that were addressed, due to the city's aging infrastructure, primarily with utility systems. The city is working to improve its infrastructure through capital purchases, as well as a U.S. Department of Agriculture (USDA) loan to fund a wastewater line project.

To mitigate the costs of these utility infrastructure improvements, the city passed a 1% sales tax increase that went into effect in April 2026. Management expects the increase will result in approximately \$770,000 (which translates to a sizable 45% of 2025 general revenue excluding transfers in) in additional sales tax revenue. Also, the city has started the practice of regular utility rate increases, and recently passed a five-mill levy increase. While we view the potential costs from the aging infrastructure as a financial pressure, we note the city's measures to increase revenues to accommodate this maintenance as well as the city's healthy available reserves, approximately 100% of general fund revenue in fiscal 2025 when accounting for the capital improvement fund and equipment reserve funds. We will continue to monitor for further structural imbalance should maintenance items become unmanageable for the city.

The rating further reflects our view of:

- The city's economy is limited but stable, with local income metrics that are not commensurate with the median of similarly rated peers.
- Financial performance, while generally stable, could face pressures due to the city's aging infrastructure, should measures taken by the city be insufficient to address it.
- Cash reserves are in our view healthy as a percentage of general fund revenue, when accounting for additional reserves outside of the general fund. The city expects balanced year-end results for fiscal 2026, and in fiscal 2027 the city is exceeding its revenue neutral rate but is still aiming for a breakeven result. We note that while the city is increasing past its revenue neutral rate for ad valorem taxes, electric utility transfers into the general fund are the largest portion of general fund revenue at equivalent of approximately 27% of general fund revenues (excluding transfers in).
- Formalized policies and practices are minimal, and include management reviewing prior-year actuals for budget assumptions, consistent reviewing of budget variances, and a procurement policy that identifies spending limits for departments. We believe the issuer's cyber risk posture helps mitigate exposure to risk consistent with our overall view of its management and governance.
- Current costs are elevated and likely to increase with this issuance, as per capita debt more than doubles. The city is working on a USDA loan application for its wastewater line project but did not note any additional debt issuances. We do not view the city's pension liability as an immediate credit pressure.
- Although physical risks are relevant for the local government sectors, we consider Garnett's exposure to natural hazards, including flooding, drought, extreme heat, and extreme weather, generally in line with U.S. peers, and therefore not a material factor in our credit analysis. While there is potential exposure to physical risk from severe weather, namely tornados, the city maintains a healthy level of reserves as a percentage of general fund revenue and carries property insurance, which would assist in continuity of operations in the event of any

damages. Conversely, we note that we consider reserves nominally low, and therefore significant damages could materially drawdown on reserves, pressuring the rating.

- For more information on our institutional framework assessment for Kansas municipalities, see "[Institutional Framework Assessment: Kansas Local Governments](#)," Sept. 9, 2024.

Outlook

The stable outlook reflects our view that the city will maintain its reserves while managing its aging infrastructure, supported by measures to increase its revenues.

Downside scenario

Should the city's reserve position decline either due to structural imbalance or costs from its aging infrastructure, or its debt burden becomes unmanageable, we could lower the rating.

Upside scenario

If the city's reserve position increases and is maintained above levels we consider nominally low, its debt burden moderates to levels more in line with those of higher-rated peers, and it establishes more formalized financial policies and practices, we could consider raising the rating.

Garnett, Kansas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.68
Economy	5.5
Financial performance	3
Reserves and liquidity	2
Management	3.65
Debt and liabilities	4.25

Garnett, Kansas--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	--	--	71	72
County PCPI as % of U.S.	--	--	77	80
Market value (\$000s)	251,870	241,212	231,178	220,519
Market value per capita (\$)	76,580	73,339	71,572	67,977
Top 10 taxpayers as % of taxable value	19.2	--	--	--
County unemployment rate (%)	3.6	3.7	3.4	2.8
Local median household EBI as % of U.S.	--	65	65	75
Local per capita EBI as % of U.S.	--	73	75	72
Local population	--	3,289	3,230	3,244
Financial performance				
Operating fund revenue (\$000s)	--	1,696	1,637	2,228
Operating fund expenditures (\$000s)	--	2,592	2,318	2,747
Net transfers and other adjustments (\$000s)	--	344	608	523

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Garnett, Kansas--key credit metrics

Operating result (\$000s)	--	(552)	(73)	4
Operating result as % of revenue	--	(32.5)	(4.5)	0.2
Operating result three-year average %	--	(12.3)	3.6	3.7

Reserves and liquidity

Available reserves as % of operating revenue	--	2.9	36.8	30.3
Available reserves (\$000s)	--	50	602	675

Debt and liabilities

Debt service cost as % of revenue	--	10.7	8.0	5.3
Net direct debt per capita (\$)	1,933	849	715	813
Net direct debt (\$000s)	6,356	2,793	2,311	2,636
Direct debt 10-year amortization (%)	63	100	98	97
Pension and OPEB cost as % of revenue	--	12.7	8.2	4.9
NPLs per capita (\$)	--	1,015	1,041	1,102
Combined NPLs (\$000s)	--	3,338	3,362	3,576

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\$3,565,000 City of Garnett, Kansas, General Obligation Bonds, Series 2026, dated: Date of Delivery, due: October 1, 2046

Long Term Rating	A/Stable
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New Rating

Local Government

Garnett, KS Unlimited Tax General Obligation	A/Stable
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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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