MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Lawrence, KS' Aa1 issuer & GO ratings and Aa2 utility revenue ratings; outlook stable

06 Nov 2026

New York, November 06, 2026 -- Moody's Ratings (Moody's) has affirmed the City of Lawrence, KS' Aa1 issuer and general obligation unlimited tax (GOULT) debt ratings. Concurrently, we have affirmed the city's Aa2 utility revenue rating and assigned a Aa2 rating to its Water and Sewage System Improvement Revenue Bonds, Series 2026 with a proposed par amount of $25.8 million. Post sale, the city will have approximately $600 million in total debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa1 issuer rating reflects Lawrence's ongoing economic expansion that benefits from the growing enrollment and continued capital investment of the University of Kansas, which largely insulates the city from weaker full value per capita and resident income ratios. The city's available fund balance and liquidity ratios are projected to remain sound and in excess of 40% through fiscal 2026 (Dec 31 year-end). Long-term liabilities are likely to remain elevated relative to Aa peers, given a sizable capital improvement plan, though fixed costs will remain manageable with ongoing revenue growth.

The GOULT bonds are rated Aa1, at the same level as the issuer rating, reflecting the unlimited property tax dedicated to debt service and Lawrence's irrevocable pledge of its full faith, credit and resources to repayment of the bonds.

The Aa2 rating on the city's water and sewage utility revenue debt reflects a stable service area supported by the university and wholesale providers. System investment will continue as the city's capital improvement plan (CIP) proposes about $193 million of investment through fiscal 2031, including the current issuance. Management also exhibits a strong rate setting record by adopting multi-year rate increases. The current adopted rate schedule includes average annual rate increases of 7.9% through fiscal 2028, which supports debt service coverage that while below peers, should remain above 1.5x over the next several years.

These strengths somewhat mitigate the system's high leverage, which is roughly double the peer median and likely to remain around 4x operating revenue through completion of the CIP. The system's roughly 600 days cash on hand is in line with peers, but likely to moderate as management utilizes excess reserves for rate stabilization in future years.

The rating incorporates the city's covenant to maintain charges that produces net revenue of not less than 1.2x annual debt service and the lack of a debt service reserve fund for the Series 2026 bonds. The city has also covenanted that no revenue bonds will be issued with a superior claim to the net revenue of the system so long as any of the parity bonds remain outstanding.

RATING OUTLOOK

The stable outlook reflects the expectation that continued economic expansion, utility rate increases, and formal financial policies will enable the city to maintain its strong financial position and manageable long-term liabilities while implementing a robust capital improvement plan.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued economic expansion that results in materially improved resident income and full value per capita (issuer and GOULT)

- Long-term liabilities ratio that falls below 200% without increasing capital asset depreciation above 65% (issuer and GOULT)

- Moderation of debt or materially improved revenue resulting in leverage approaching 2x operating revenue (utility revenue)

- Trend of debt service coverage well above 2x and liquidity consistently exceeding 400 days cash on hand (utility revenue)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Erosion of available fund balance and/or liquidity ratios below 35% (issuer and GOULT)

- Maintenance of long-term liabilities ratio above 350% (issuer and GOULT)

- Trend of economic contraction resulting in materially weakened full value per capita (issuer and GOULT)

- Leverage consistently well above 4x operating revenue (utility revenue)

- Trend of debt service coverage or liquidity falling below 1.5x or 300 days, respectively (utility revenue)

PROFILE

The City of Lawrence, KS is the county seat of Douglas County and home to the University of Kansas. The city performs routine municipal services and its business-type enterprises include water, sewer and sanitation utilities. The city has a population of about 100,000 residents.

METHODOLOGY

The principal methodology used in the issuer and general obligation ratings was US Cities and Counties published in June 2026 and available at https://ratings.moodys.com/rmc-documents/466689. The principal methodology used in the revenue ratings was US Municipal Utility Revenue Debt published in March 2024 and available at https://ratings.moodys.com/rmc-documents/416489. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

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Kenneth Surgenor
Lead Analyst

Adebola Kushimo
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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