BARTON COMMUNITY COLLEGE

HLC Accreditation Evidence

- S&P Global Ratings

URL:

Office of Origin:

- Vice President of Administration

Contact(s):

- Vice President of Administration

S&P Global
Ratings

11511 Luna Road
Suite 500
Farmers Branch, TX 75234
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reference no.: 1685298

September 29, 2021

Barton County Community College
245 NE 30 Road
K Building, Room 116A
Great Bend, KS 67530
Attention: Mr. Mark E. Dean, Dean of Administration

Re: ***US$3,590,000 Barton County Community College, Kansas, Refunding Certificates of Participation, Series 2021, dated: November 11, 2021, due: February 01, 2033***

Dear Mr. Dean:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "A+" . S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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Please send hard copies to:
S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

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Sincerely yours,

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cc: ***Mr. Dustin Avey, Managing Director***
Piper Sandler & Co

S&P Global Ratings

S&P Global Ratings
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Barton County Community College, Kansas; Appropriations; General Obligation Equivalent Security

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Barton County Community College, Kansas; Appropriations; General Obligation Equivalent Security

Credit Profile		
US$3.59 mil rfdg certs of part ser 2021 dtd 11/11/2021 due 02/01/2033		
Long Term Rating	A+/Stable	New
Barton Cnty Comnty Coll		
Long Term Rating	A+/Stable	Affirmed
Barton Cnty Comnty Coll COPs (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rating Action

S&P Global Ratings assigned its 'A+' long-term rating to Barton County Community College, Kan.'s $3.59 million series 2021 certificates of participations (COPs). In addition, we affirmed our 'A+' long-term rating and underlying rating (SPUR) on the college's previously issued general obligation (GO) equivalent debt. The outlook is stable.

The COPs are secured by annual base rentals, which the college covenants and agrees to pay the trustee and that are payable by the college under the lease but are not subject to annual renewal by the college. Barton County Community College must levy taxes, if necessary, to pay debt service on the COPs. Furthermore, according to state statute, the lease cannot be terminated because of nonappropriation; an event of a default, as defined under the lease agreement, results in a judgment against the college. The college is required to levy taxes or otherwise provide sufficient funds to meet judgment requirements related to payment of base rentals. Under our criteria "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," published Nov. 20, 2019, we view the debt pledge to be on par with the district's general creditworthiness given the lack of appropriation risk.

Credit overview

The college returned to face-to-face instructions for the fall 2021 semester but it continues to offer a combination of in-person and remote instructions when necessary in response to the COVID-19 pandemic. Management also continues to implement health and safety measures in accordance with evolving Centers for Disease Control and Prevention guidance. The district received approximately $5 million in CARES Act funding in fiscal 2020, with a majority expected to be recorded in fiscal 2021 which we believe provides some operating flexibility in the current fiscal year. We also believe the college's current solid liquidity position, with an unassigned fund balance of more than 50% of operating expenses, will also provide some financial flexibility during the uncertain operating environment.

The rating reflects our view of the college's:

- Consistently positive historical financial performance and healthy operating reserves;

- Significant overall revenue-raising flexibility through an unlimited general fund levy; and
- Low debt levels as a percent of market value.

Partially offsetting these strengths, in our opinion, are the college's:

- Somewhat limited local economy with adequate income levels; and
- Recent declines in enrollment, although these declines have been credited to the ongoing COVID-19 pandemic and are in line with the college's peers.

The stable outlook reflects our view that the college will likely maintain its very strong financial position given its consistently positive financial performance and revenue-raising abilities. We do not expect to change the rating within the two-year outlook horizon, as we anticipate that the district will adjust tuition and tax rates as it deems necessary to maintain its very strong financial position.

Environmental, social, and governance (ESG) factors

In our view, the college is exposed to elevated health and safety social risks under our ESG risk factors because of the potential impact of the COVID-19 pandemic on the state budget, which could affect state appropriations received by the college. Despite the elevated social risk, we believe the district's environmental and governance risks are in line with our view of the sector as a whole.

Stable Outlook

Upside scenario

A significant expansion of the county's economy leading to stronger income and wealth indicators could lead to a higher rating, all else equal.

Downside scenario

Conversely, we could lower the rating if the college draws down reserves to levels that we no longer view as commensurate with those of its peers at the current rating level.

Credit Opinion

Economy

Barton County Community College, in central Kansas, is coterminous with Barton County, about 100 miles from Wichita. The district has an estimated population of 25,800. However, the college's service area is much larger, including a seven-county area with a population of closer to 70,000. County income levels are adequate, in our view, with median effective buying income (EBI) and per capita EBI at 80% and 75%, respectively, of national levels. The county's economy is largely driven by agribusiness with a small degree of oil and gas activity. Due oil and gas valuation declines and the cyclical nature of the sector, the assessed value (AV) of Barton County showed some volatility in recent years, but the long-term trend is favorable. County AV in fiscal 2020 amount to about $296.7 million, which is a year-to-year decline of about 3.8% before rebounding to $303.5 million in fiscal 2021 estimates.

Based on 2020 market values, we view the district's wealth indicators as strong, with market value per capita estimated at $63,944. Based on conversations with management, we believe the tax base will remain stable in the years to come. Although concentration of the top 10 taxpayers increased in recent years, we continue to believe there is no concentration among the top 10 taxpayers, and view the tax base as diverse with the top 10 property taxpayers accounting for less than 15% of total AV.

Financial Management Assessment: Standard

We consider the college's management practices standard under our Financial Management Assessment methodology, indicating our view that the finance department maintains adequate policies in some, but not all, key areas. Key management practices and policies include monthly review of the budget with board participation, as well as realistic and well-grounded revenue and expenditure assumptions. The district informally considers long-term financial planning annually in conjunction with its budget, but it has not adopted a comprehensive forecasting tool. The college follows state law governing investments, and it reports those holdings at least annually through the audit process. In addition, the board requests that the college maintain at least 24% reserves at the end of each year for cash-flow purposes. The college lacks written policies in some areas including debt management and a formal long-term capital plan.

Finances

Revenue to support general operations are primarily derived from tuition and fees, property taxes, and state aid. The board sets tuition, and we believe that this provides an additional source of revenue-raising flexibility (rather than if the state legislature set tuition). Management held tuition flat for the most recent school year, we believe current tuition rates are comparable with that of other Kansas community colleges and much lower than those of four-year universities. Local taxes are generated from a total tax rate of a 33.05-mill operating rate, which has no statutory limit and that, in our opinion, provides significant revenue-generating flexibility. In Kansas, state operating appropriations to community colleges are based on an enrollment-driven formula linked to tuition levels at Kansas' three regional state public universities. Funding levels stabilized in recent years following several periods of cuts to help balance the state budget.

In our view, the college's financial position has consistently been very strong. Barton County's ending general fund balance totaled $30.2 million at year-end fiscal 2020, which represents close to 58% of operating expenditures. Based on conversations with management and historical performance, we believe operations will be at least balanced over the next year.

Debt and pensions

In our opinion, the college's overall leverage, which includes overlapping entities, is low at about 2% of estimated market value and low at about $1,300 per capita. The debt service carrying charge is also low, in our view, at about 1.7% of primary institution expenditures for 2020. The college has no GO or revenue debt outstanding, as it has historically issued COPs. Debt amortization is average, with about 54% of principal to be paid within 10 years. The college has no plans to issue additional debt within the next two years.

Barton County Community College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer, defined benefit pension plan. State law provides that employer contribution rates are determined based on the results of an annual actuarial valuation. The employer contributions for community colleges are funded by the state on behalf of employers, and because the college does not directly contribute to the system for active employees, there is no material net pension liability. KPERS was about 66% funded as June 30, 2020. The college manages other postemployment benefits on a pay-as-you-go basis and contributed less than 1% of operations during fiscal 2020.

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020