S&P Global Ratings

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Dodge City Community College, Kansas; General Obligation; General Obligation Equivalent Security

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Dodge City Community College, Kansas; General Obligation; General Obligation Equivalent Security

Credit Profile		
US$2.485 mil lse agreement rfdg cert of part ser 2024 dtd 05/21/2024 due 07/15/2030		
Long Term Rating	A+/Stable	New
Dodge City Comnty Coll GO equiv		
Long Term Rating	A+/Stable	Affirmed
Dodge City, Kansas		
Dodge City Community College, Kansas		
Dodge City (Dodge City Community College)		
Long Term Rating	A+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'A+' long-term rating to Dodge City Community College (DCCC), Kan.'s $2.48 million series 2024 certificates of participation (COPs).
- At the same time, we affirmed our 'A+' rating on the college's existing debt.
- The outlook is stable.

Security

Following this issuance, DCCC will have about $22.3 million of debt outstanding. Pursuant to the lease agreement, officials have covenanted to make annual rental payments from all of the college's revenue, including its unlimited ad valorem tax, if necessary. In accordance with the Kansas Cash Basis Law and Kansas Statutes Annotated (K.S.A.) , the college's obligation under the lease is not subject to annual appropriation. Therefore, we do not notch the ratings as only acts of the state could lead to non-appropriation. Proceeds from the issuance of the COPs will be used to refinance to refund a portion of the series 2014 Industrial Revenue Bonds issued by Dodge City, which financed the construction, equipping and furnishing of a community and student activity center DCCC's campus.

State operating appropriations to community colleges are based on an enrollment-driven formula linked to tuition at Kansas' three regional state public universities with an emphasis on technical programs. Property tax revenue is generated from a total tax rate of 32.483 mills (30.483 for operations and 2.000 for capital projects). Although the capital project levy cannot exceed two mills and must be voter-approved every five years, the operations levy is not bound by statutory limits and does not require voter approval, which provides significant revenue-generating flexibility. The college could use the operations levy to meet any of its obligations or commitments.

Credit overview

The rating reflects our view of DCCC's adequate enterprise risk profile and strong financial risk profile. The adequate enterprise risk profile score reflects DCCC's small enrollment base, thin service area population, and stable regional economy anchored by the agriculture, energy, and retail industries. The strong financial risk profile score reflects

DCCC's history of stable operations in recent years with the expectation of surplus general fund operations for fiscal 2024 and satisfactory financial resources (inclusive of foundation cash and investments). In addition to tuition and state funding, the budget includes significant local tax revenue. As per our criteria, the rating reflects the depth and breadth of the system's property tax base that provides material support for operations and the district's debt obligations and overwhelming financial resources relative to outstanding long-term debt. Management reports it could issue additional new debt for a new dormitory in the near term. As plans materialize, we will incorporate any credit impact tied to future issuances .

The rating reflects our opinion of DCCC's:

- Solid financial resources with no plans to significantly spend down reserves;
- Significant overall revenue-raising flexibility through an unlimited-general fund levy; and
- Favorable overall debt profile characterized by a low debt burden despite moderate near-term debt plans following this issuance.

Somewhat offsetting the above strengths, in our opinion, are the college's:

- Thin enrollment base, although we recognize stable trends in recent years; and
- Limited overall market position with a small and moderately concentrated economic base.

Environmental, social, and governance

We view DCCC's environmental, social, and governance factors as neutral within our credit rating analysis.

Outlook

The stable outlook reflects our expectation that DCCC will maintain similar financial resource levels, a healthy overall debt profile, and at least stable enrollment supporting near breakeven or better financial operations on a full accrual basis to compensate for its limited market position and modest enrollment base.

Downside scenario

We could lower the rating if DCCC 's financial resources significantly deteriorate, or the college's overall debt profile materially weaken leading to a less favorable overall financial profile. Furthermore, rating pressure could emerge if the enrollment base weakens.

Upside scenario

A higher rating is possible if DCCC achieves and maintains a trend of materially favorable positive operations and financial resources while other credit factors remain at least stable. In addition, a longer trend of stable enrollment would inform any upside considerations.

Credit Opinion

Enterprise Risk Profile

Limited regional economy

Dodge CCC, an accredited two-year community college, is in Ford County in southwestern Kansas, approximately 150 miles west of Wichita. The college's main campus is in Dodge City, serving a population of more than 57,000 across a nine-county region. DCCC also operates outreach centers in Ashland, Kinsley, and Ness City. In addition to hosting the community college, school district, and municipal administration offices, Dodge City also serves as the seat of county government in Ford County. The local economy is limited and is centered on agriculture, cattle feeding and ranching, and beef processing. The area's economic base also includes employment in the manufacturing, commercial retail and services, utilities, and tourism sectors. Officials report the housing market is strong and a new Hilmar Cheese processing plant broke ground and is expected to be operational by October 2024.

Stable enrollment trend

Following considerable full-time equivalent enrollment growth in fiscal 2022 compared with the previous year, DCCC has reached pre-pandemic demand levels but enrollment remains modest compared with that of peers at just over 1,200 students. Officials also cite new athletic programs designed to support demand as well as continued economic development as key factors that will maintain steady enrollment trends. Academic partnerships include Kansas State, Fort Hays State University, University of Kansas, and Newman universities. The college has partnerships with major local employers.

Experienced and stable leadership team

DCCC's senior leadership has been relatively stable in recent years with a tenured and experienced executive management team. The college maintains a five-year strategic plan with officials reviewing weekly dashboard tracking and leveraging community involvement, particularly to support athletic recruiting. DCCC does not have a long-term financial plan or a debt management policy, and follows state-mandated guidelines for investments. On the revenue side, the college consults with the county assessor to project annual assessed value (AV) growth, management budgets according to an internal AV growth metric. Furthermore, management adjusts tuition, fees, charges for services annually based on expected changes to expenditures. The board receives monthly cash reports relative to the budget and can amend the budget as needed. While there is no formal reserve and liquidity policy, officials are exceeding their informal target of at least 50% of budgeted expenditures.

Financial Risk Profile

Steady financial performance support solid financial resources

DCCC has historically posted breakeven-to-moderately positive operations in recent years. Officials anticipate surplus operations in fiscal 2024. Property taxes consistently generate well over 30% of total operating revenue, followed by student derived revenue and state funding--which management anticipates will modestly increase in the near term with a growing focus on funding trade programs. State operating appropriations to community colleges are based on an enrollment-driven formula linked to tuition at Kansas' three regional state public colleges, with an emphasis on technical programs. DCCC maintains healthy financial resources for the rating level in our view and currently has no plans to significantly spend down reserves, according to management. That said, officials are in the planning stages of financing improvements to a student housing facility that is estimated to cost $3 million-$4 million in the next three-to-six months. Given the stabilizing enrollment trends and relatively limited future debt plans, we believe financial performance and resources will remain near current levels in the near term.

Healthy debt profile with potential new debt on the horizon

Officials report DCCC plans to issue new debt in the near term to fund dormitory improvements at an estimated cost of about $4 million. We understand management has approached its industry partners to help fund the project, which might not be entirely debt financed. Planning is still in the early stages and any general obligation bond issuance would require voter authorization, so officials may consider additional issuing additional COPs on parity with long-term debt outstanding. We do not expect the potential debt to have a materially adverse impact on the college's debt profile.

Manageable pension and other postemployment benefit liabilities

DCCC participates in the Kansas Public Employee Retirement System, a cost-sharing, multiple-employer, defined-benefit pension plan. The state fully funds the employer share of contributions through on-behalf payments made to the college, except for employees working for the college after retirement (for which the college is responsible for making contributions). Given that the state funds contributions for most DCCC employees, the college's net pension liability was minimal at only $196,000 as of the June 30, 2023, measurement date. DCCC also provides other postemployment benefits (OPEB) in the form of retiree health care. The college funds these liabilities through pay-as-you-go financing, which totaled less than 1% of adjusted operating expenses. The plan is currently unfunded, which is typical for the sector and has an unfunded liability of $3.3 million as of fiscal 2023 year-end. Given the minimal contribution costs for pension and OPEB, we don't believe that retiree benefit cost increases will materially pressure the college's operating budget.

Dodge City Community College, Kansas--Enterprise and financial statistics

	--Fiscal year ended June 30--			
	2024	**2023**	**2022**	**2021**
Enrollment and demand				
Full-time-equivalent enrollment	1,243	1,234	1,237	1,109
Annual full-time-equivalent change (%)	0.73	(0.24)	11.54	4.23
Tax base				
Service area population	57,452	57,452	57,452	57,452
Total AV ($000s)	401,310	385,158	369,504	359,174
Top 10 taxpayers as % of total AV	18.8	19.6	18.5	19.1
Market value per capita ($)	46,568	44,693	42,877	41,678
Per capita EBI as % of U.S.	N.A.	N.A.	64	71
Median household EBI as % of U.S.	N.A.	N.A.	81	88
Annual unemployment rate (%)	N.A.	2.3	2.1	2.2
Income statement				
Total adjusted operating revenue ($000s)	N.A.	37,842	38,897	34,877

Dodge City Community College, Kansas--Enterprise and financial statistics (cont.)				
	--Fiscal year ended June 30--			
	2024	**2023**	**2022**	**2021**
Total adjusted operating expense ($000s)	N.A.	39,040	40,540	35,950
Net adjusted operating income ($000s)	N.A.	(1,198)	(1,643)	(1,073)
Net adjusted operating margin (%)	N.A.	(3.07)	(4.05)	(2.98)
State appropriations dependence (%)	N.A.	7.5	7.0	7.9
Student dependence (%)	N.A.	31.8	31.6	23.2
Taxes and other local support dependence (%)	N.A.	34.5	33.4	34.5
Financial resources				
Cash and investments, including foundation ($000s)	N.A.	13,135	14,404	16,109
Cash and investments to operations (%)	N.A.	33.6	35.5	44.8
Total cash and investments to total debt (%)	N.A.	66.1	76.5	81.3
Debt	N.A.			
Total debt ($000s)	N.A.	19,870	18,840	19,807
MADS ($000s)	N.A.	2,150	2,150	1,913
MADS Burden (%)	N.A.	5.5	5.3	5.3
Pro forma metrics	N.A.			
Total pro forma debt ($000s)	N.A.	22,355	18,840	19,807
Total cash and investments to total pro forma debt (%)	N.A.	58.76	76.45	81.33
Pro forma MADS ($000s)	N.A.	2,177	N.A.	N.A.
Pro forma MADS burden (%)	N.A.	5.6	N.A.	N.A.

Total adjusted operating revenue = total operating revenues + institutionally funded financial aid + government appropriations + government grants + endowment spending + tax revenues - realized and unrealized gains/losses. Total adjusted operating expense = operating expenses + institutionally funded financial aid + interest expense – noncash pension and other postemployment benefits expenses. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. MADS burden = 100*(MADS/adjusted operating expenses). Cash and investments = cash + unrestricted and restricted financial investments + foundation cash and investments. Total outstanding debt = tax supported debt + revenue/ enterprise-secured debt + foundation debt + other debt. All debt metrics include revenue/enterprise-secured and foundation debt if applicable. FTE--Full-time-equivalent. AV--Assessed value. EBI--Effective buying income. MADS--Maximum annual debt service. N.A.--Not available. N.M.--Not meaningful. N.A.--Not available. N.M.--Not Meaningful.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022