

Rating Action: Moody's upgrades Kirkwood Community College IA's GO to Aa1; assigns Aa1 to current issuance

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New York, April 26, 2022 -- Moody's Investors Service has upgraded the rating on Kirkwood Community College, IA's outstanding general obligation unlimited tax (GOULT) to Aa1 from Aa2. Concurrently, Moody's has assigned a Aa1 to the \$2.9 million Industrial New Jobs Training Certificates, Series 2022-1A and \$2.5 million Taxable Industrial New Jobs Training Certificates, Series 2022-1B. After the current sale, the college will have \$187 million in outstanding debt.

RATINGS RATIONALE

The upgrade of the college's GOULT debt and assignment of the Aa1 to the current issuances reflects the college's continued financial stability, ongoing tax base expansion and demonstrated ability to make timely expenditure cuts to offset revenue fluctuations associated with enrollment loss. Long-term leverage is moderate and likely to remain so. These strengths are balanced against some enterprise risk associated with ownership and operation of a hotel associated with its hospitality programs.

RATING OUTLOOK

Moody's does not typically assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Increased revenue from enrollment growth leading to improved financial position
- Reduced enterprise risk associated with the Hotel at Kirkwood Center
- Further moderation of long-term leverage

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Declining tax base or demographic profile
- Significant narrowing of reserves and liquidity
- Material increase in debt or pension burdens

LEGAL SECURITY

The college's outstanding debt is supported by the authority to levy a dedicated tax that is unlimited as to rate or amount to pay debt service.

Industrial new job training certificates are also backed by net revenues from state withholding taxes generated by jobs created per agreements with participating companies. Per the bond resolution, the college has levied a tax with each county auditor, but may direct reduction of the tax levy once funds are on hand from other sources for payment of the certificates.

USE OF PROCEEDS

The Series 2022-1A and Series 2022-1B certificates will finance new jobs training programs for several hundred employees at multiple companies that have entered into job training agreements with the college pursuant to Iowa's Industrial New Jobs Training Act.

PROFILE

Kirkwood Community College maintains one campus in Cedar Rapids and seven satellite locations across an eighteen county service area in east-central Iowa. The college provides career and technical education to about 16,500 full time equivalent students as of the 2022 academic year. The population of the college's service area totals roughly 442,500.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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