

RatingsDirect®

Summary:

Ramsey, Minnesota; General Obligation

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Table Of Contents

Rationale

Outlook

Related Research

Summary:

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Credit Profile

US\$0.895 mil GO str reconstruction bnds ser 2017A dtd 08/17/2017 due 12/15/2027

Long Term Rating AA+/Stable New

Ramsey GO

Long Term Rating AA+/Stable Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' long-term rating to Ramsey, Minn.'s series 2017A general obligation (GO) street reconstruction bonds. At the same time, we affirmed our 'AA+' rating on the city's existing GO bonds. The outlook is stable.

The city's GO unlimited property tax pledge secures the bonds as well as an additional pledge of special assessment revenues. Its existing GO debt is also secured by certain additional pledged revenues. However, we rate to the GO pledge, which we consider to be the stronger security. Bond proceeds from the series 2017A bonds will be used for street projects.

The rating reflects our assessment of the city's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 70% of operating expenditures;
- Very strong liquidity, with total government available cash at 4.2x total governmental fund expenditures and 23.9x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges at 17.7% of expenditures and net direct debt that is 180.0% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 70.1% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Strong economy

We consider Ramsey's economy strong. The city, with an estimated population of 25,837, comprises about 29 square miles 20 miles north of Minneapolis in Anoka County. It is in the Minneapolis-St. Paul-Bloomington MSA, which we consider to be broad and diverse. It has a projected per capita effective buying income of 107.9% of the national level and per capita market value of \$87,891. Overall, market value grew by 12.1% over the past year to \$2.3 billion in 2016. The county unemployment rate was 3.8% in 2016.

Management reports several housing developments are currently underway, which includes a mix of multifamily and

single-family units. In 2018, management expects about a 10.9% increase in tax capacity. The city's largest employers include Life Fitness (460 employees), BMC Vision-Ease Lens (300), and Showdown Displays (252). Supported by the city's access to the broad and diverse Twin Cities MSA, we expect the economy to remain strong.

Strong management

We view the city's management as strong, with "good" financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Management uses four years of historical data, outside data sources, and line-item estimates during budget development. It provides monthly budget-to-actual reports to the council and the budget can be amended as necessary throughout the year. The city maintains a 10-year capital improvement plan and a five-year financial forecast. It has an investment management policy and management reports investment holdings to the council monthly. The city has a debt management policy but it is not comprehensive, in our opinion. Its general fund reserve policy is to maintain a minimum of 50% of expenditures, a policy it has historically followed.

Strong budgetary performance

Ramsey's budgetary performance is strong, in our opinion. The city had operating surpluses of 2.3% of expenditures in the general fund and 4.8% across all governmental funds in fiscal 2016. General fund operating results of the city have been stable over the last three years, with results of 2.7% in 2015 and 2.1% in 2014.

Budgetary performance has been stable and resulted in small surpluses in the general fund and total governmental funds for the last several years. Management expects at least balanced general fund results in 2017 and 2018, although the city tends to outperform budget estimates. Supported by strong property tax collections, which accounted for 82% of general fund revenues in 2016, we expect budgetary performance to remain at least strong.

In evaluating budgetary performance, we adjusted for one-time capital expenditures and treated recurring transfers as either revenues or expenditures.

Very strong budgetary flexibility

Ramsey's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 70% of operating expenditures, or \$7.5 million. We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor. Over the past three years, the total available fund balance has remained at a consistent level overall, totaling 67% of expenditures in 2015 and 70% in 2014.

The city has maintained a high level of reserves for the past several years and has no plans to draw them down. We expect budgetary flexibility to remain very strong.

Very strong liquidity

In our opinion, Ramsey's liquidity is very strong, with total government available cash at 4.2x total governmental fund expenditures and 23.9x governmental debt service in 2016. In our view, the city has strong access to external liquidity if necessary.

Its \$64.4 million in cash and investments in 2016 were held primarily in certificates of deposit, municipal bonds, and U.S. agency securities, which we do not consider aggressive investments. The city has strong access to external liquidity, in our opinion, because it has issued GO debt within the last 20 years. We expect liquidity to remain very strong.

Adequate debt and contingent liability profile

In our view, Ramsey's debt and contingent liability profile is adequate. Total governmental fund debt service is 17.7% of total governmental fund expenditures, and net direct debt is 180.0% of total governmental fund revenue. Overall net debt is low at 2.1% of market value, and approximately 70.1% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

The city indicates it may issue \$2.4 million in GO bonds over the next two years for street construction projects. It has no variable-rate or private-placement debt outstanding.

Ramsey's pension contributions totaled 3.8% of total governmental fund expenditures in 2016. The city made its full annual required pension contribution in 2016.

The city participates in two cost-sharing multiemployer pension plans, which include the Public Employees Police and Fire Fund (PEPFF) and General Employees Retirement Fund (GERF). In 2016, the PEPFF was 63.9% funded and the city's proportionate share of the net pension liability was \$8.3 million. The GERF was 68.9% funded and the city's proportionate share of the net pension liability was \$4.2 million. Ramsey also provides other postemployment benefits (OPEBs), which it funds on a pay-as-you-go basis. In 2016, the unfunded actuarial accrued liability for its OPEB plan was \$369,000.

Strong institutional framework

The institutional framework score for Minnesota cities with a population greater than 2,500 is strong.

Outlook

The stable outlook reflects our view of Ramsey's very strong budgetary flexibility and liquidity, which is supported by strong management conditions. It also reflects the city's access to the broad and diverse Twin Cities MSA, which provides a moderating effect on local economic fluctuations. We do not expect to change the rating within the two-year outlook period.

Upside scenario

Although unlikely, in our opinion, a higher rating is possible if economic indicators improve to, and are sustained at, levels that are commensurate with those of higher rated peers, in addition to no deterioration in budgetary performance or flexibility and no weakening of the debt profile.

Downside scenario

A lower rating is possible if the city's budgetary performance and flexibility weaken.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Ratings Detail (As Of July 21, 2017)		
Ramsey GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ramsey GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
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