

RatingsDirect®

Summary:

Ramsey, Minnesota; General Obligation

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Credit Profile

US\$12.075 mil GO str reconstruction bnds ser 2022A dtd 12/06/2022 due 12/15/2037

<i>Long Term Rating</i>	AA+/Stable	New
Ramsey GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ramsey GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ramsey GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ramsey GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to the City of Ramsey, Minn.'s anticipated \$12.075 million series 2022A general obligation (GO) street reconstruction bonds.
- S&P Global Ratings also affirmed its 'AA+' rating on the city's existing GO debt.
- The outlook is stable.

Security

Ramsey's unlimited ad valorem tax GO pledge secures the series 2022A bonds. Bond proceeds will finance the city's 2023 to 2025 street reconstruction projects.

Credit overview

Ramsey's strong financial profile is underscored by the city's consistent operating surpluses, supported by a growing property tax base and local revenue-raising flexibility. For fiscal 2022, management anticipates the city will achieve its breakeven operating budget with use of \$64,000 of its total \$3 million of American Rescue Plan Act (ARPA) funds to cover fuel cost overruns driven by inflationary cost increases. About \$316,000 of ARPA funds were used to purchase police-worn body cameras in 2022, while remaining ARPA funds will be used on road improvement projects in 2023 and 2024. The preliminary fiscal 2023 budget is balanced with additional property tax revenue based on a projected 25% increase in the city's total net tax capacity in addition to a preliminary 12% operating levy increase.

In our view, Ramsey's underlying economy lacks the depth of that of higher-rated peers, but the city benefits from its northwestern location in the broad and diverse Minneapolis-St. Paul-Bloomington metropolitan statistical area (MSA). Furthermore, we anticipate the city's debt and contingent liability profile will likely remain at least weak based on Ramsey's elevated debt service carrying charge and plans to issue up to \$20 million of new GO (\$5 million) and utility-revenue backed debt (\$15 million) to make necessary improvements to the city's water treatment plant.

The 'AA+' rating further reflects our assessment of Ramsey's:

- Growing suburban economy, with extensive residential, commercial, and industrial development based on the city's abundance of developable land and participation in a broad and diverse MSA;
- Considerable revenue flexibility, with a predominately property tax-funded budget (82% in fiscal 2021) supporting Ramsey's very strong liquidity and budgetary flexibility, with available reserves representing 71.7% of general fund expenditures in fiscal 2021;
- Strong management, with good financial policies and practices under our Financial Management Assessment methodology, highlighted by the city's five-year operating forecast, 10-year capital improvement plan, and fund balance policy requiring 50% of expenditures in reserves, with a strong institutional framework score;
- Weak debt and contingent liability profile, with plans to issue up to \$15 million of water utility revenue-backed debt in 2023 to partially finance \$47 million of planned improvements to the water treatment facility; and
- Moderate pension and other postemployment benefit exposure based on the city's participation in the adequately funded General Employees' Retirement Fund (87% funded as of June 30, 2021, with a net pension liability of \$2.6 million using a 7.5% discount rate), and the Public Employees' Police and Fire Fund (93.7% funded as of June 30, 2021, with a net pension liability of \$1.9 million using a 7.5% discount rate).

For more information, see the summary analysis on Ramsey, published Sept. 21, 2021, on RatingsDirect.

Environmental, social, and governance

Ramsey faces heightened environmental risks based on the elevated manganese levels in four of the city's eight drinking water wells as per the Minnesota Department of Health guidelines. Elevated manganese levels pose health risks to bottle-fed infants, children, and adults. The city plans to remediate these risks through the above-mentioned improvements to the water treatment plant, which are scheduled to begin in 2023. We view the city's social and governance risks as neutral in our credit rating analysis. We also note Ramsey has implemented policies and practices to help mitigate its exposure to cyber security risks.

Outlook

The stable outlook reflects our expectation that Ramsey will maintain very strong budgetary flexibility and liquidity positions, with continued property tax revenue growth over the two-year outlook horizon. While we expect the nation will enter a recession in 2023, we think the city's economy will likely remain relatively resilient and not contract at a greater rate than the national economy due to Ramsey's participation in the regional Twin Cities economy. (For further information, see "Economic Outlook U.S. Q4 2022: Teeter Totter," published Sept. 26, 2022.)

Downside scenario

We could take negative rating action if the city's budgetary performance were to worsen, leading to significant deterioration in budgetary flexibility and liquidity.

Upside scenario

We could take positive rating action with strengthening of multiple credit factors including moderation to the city's debt profile and with higher income and wealth metrics.

Ramsey, Minn.--Key Credit Metrics

	Most recent	Historical information		
		2021	2020	2019
Strong economy				
Projected per capita EBI % of U.S.	107			
Market value per capita (\$)	137,266			
Population (no.)		27,487	27,154	27,050
County unemployment rate(%)		3.4		
Market value (\$000)	3,773,024	3,284,612	3,022,065	2,811,159
Ten largest taxpayers % of taxable value	12.0			
Strong budgetary performance				
Operating fund result % of expenditures		2.5	8.3	3.0
Total governmental fund result % of expenditures		1.1	(1.0)	13.0
Very strong budgetary flexibility				
Available reserves % of operating expenditures		71.7	69.0	69.1
Total available reserves (\$000)		10,413	10,073	8,857
Very strong liquidity				
Total government cash % of governmental fund expenditures		366	320	423
Total government cash % of governmental fund debt service		3,036	1,612	2,450
Strong management				
Financial Management Assessment	Good			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		12.0	19.9	17.3
Net direct debt % of governmental fund revenue	163			
Overall net debt % of market value	2.1			
Direct debt 10-year amortization (%)	58			
Required pension contribution % of governmental fund expenditures		3.8		
OPEB actual contribution % of governmental fund expenditures		0.1		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

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

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