

RatingsDirect®

Summary:

Ramsey, Minnesota; General Obligation

Primary Credit Analyst:

Jessica Olejak, Chicago + 1 (312) 233 7068; jessica.olejak@spglobal.com

Secondary Contact:

Rebecca Y Roman, Chicago (1) 708-219-0455; rebecca.roman@spglobal.com

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Summary:

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Credit Profile

US\$8.64 mil GO bnds ser 2023A dtd 11/15/2023 due 12/15/2038

Long Term Rating

AA+/Stable

New

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to the City of Ramsey, Minn.'s anticipated \$8.64 million series 2023A general obligation (GO) 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 2023A bonds but management anticipates that a portion of the debt service will be paid from tax increment financing (TIF) revenue generated by existing development within TIF District 14. Bond proceeds will finance capital equipment and the improvements in TIF District 14.

Credit overview

Ramsey's strong financial profile is underscored by the city's consistent operating surpluses, supported by an expanding property tax base and local revenue-raising flexibility. For fiscal 2023 (year-end Dec. 31), management anticipates the city will achieve its breakeven operating budget. The preliminary fiscal 2024 budget is balanced and includes an 11% operating levy increase, seven new positions, and some additional capital expenditures. Management expects some uncertainty with the fiscal 2025 budget as all union contracts will be open for negotiation, but plans to maintain general fund reserves at their current level. Given the city's extremely high reserve levels at more than \$11 million, we believe Ramsey will be able to manage potentially higher personnel costs and any future unexpected expenditures.

We revised our view of Ramsey's economy to very strong from strong, following an increase in projected income levels compared with the U.S. Nevertheless, we believe Ramsey's underlying economy lacks the depth of that of higher-rated peers, but the city benefits from its proximity to the Twin Cities. Furthermore, 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 \$8 million of utility revenue-backed debt to make necessary improvements to the city's water treatment plant, with the total project estimated at approximately \$43 million.

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;
- Considerable revenue-raising flexibility, with a predominantly property tax-funded budget; and

- Strong management, 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.

We do not view pension and other postemployment benefits to be a credit pressure, given how low contributions are relative to budget. However, General Employees' Retirement fund and Public Employees' Police and Fire fund contributions were below our minimum funding progress metric last year and current fixed-rate contribution practices are not expected to materially reduce unfunded liabilities in the near term.

Environmental, social, and governance

Ramsey faces heightened environmental risks based on the elevated manganese levels in four of its 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 is remediating these risks through the above-mentioned improvements to the water treatment plant, which are under construction. We view the city's social and governance risks as neutral in our credit rating analysis. In addition, 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 its fund balance within its reserve policy and property tax revenue growth will continue over the two-year outlook horizon.

Downside scenario

We could take a negative rating action if the city were to become operationally imbalanced and make a materially large draw on its reserves.

Upside scenario

We could take a positive rating action if Ramsey strengthened multiple credit factors, including moderation of the debt profile and materially higher income and wealth metrics.

| Ramsey, Minnesota -- key credit metrics | | | | |
|--|-------------|------------------------|-----------|-----------|
| | Most recent | Historical information | | |
| | | 2022 | 2021 | 2020 |
| Very strong economy | | | | |
| Projected per capita EBI % of U.S. | 110 | | | |
| Market value per capita (\$) | 146,383 | | | |
| Population | | 28,178 | 27,487 | 27,154 |
| County unemployment rate(%) | | 2.6 | | |
| Market value (\$000) | 4,124,767 | 3,773,024 | 3,284,612 | 3,022,065 |
| Ten largest taxpayers % of taxable value | 7.8 | | | |
| Strong budgetary performance | | | | |
| Operating fund result % of expenditures | | 0.7 | 2.5 | 8.5 |
| Total governmental fund result % of expenditures | | 10.7 | 1.1 | (1) |

Ramsey, Minnesota -- key credit metrics (cont.)

| | Most recent | Historical information | | |
|---|-------------|------------------------|--------|--------|
| | | 2022 | 2021 | 2020 |
| Very strong budgetary flexibility | | | | |
| Available reserves % of operating expenditures | | 75.6 | 71.7 | 71.0 |
| Total available reserves (\$000) | | 11,064 | 10,413 | 10,073 |
| Very strong liquidity | | | | |
| Total government cash % of governmental fund expenditures | | 331 | 260 | 362 |
| Total government cash % of governmental fund debt service | | 3283 | 3259 | 2001 |
| Strong management | | | | |
| Financial Management Assessment | | Good | | |
| Weak debt & long-term liabilities | | | | |
| Debt service % of governmental fund expenditures | | 10.1 | 12.0 | 19.9 |
| Net direct debt % of governmental fund revenue | | 158 | | |
| Overall net debt % of market value | | 2.0 | | |
| Direct debt 10-year amortization (%) | | 61 | | |
| Required pension contribution % of governmental fund expenditures | | 3.6 | | |
| 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

Ratings Detail (As Of October 17, 2023)

| | | |
|-------------------------|------------|----------|
| 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 |

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