

RatingsDirect®

Summary:

Maplewood, Minnesota; General Obligation

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Credit Profile

US\$2.125 mil GO imp bnds ser 2023A dtd 08/10/2023 due 02/01/2039		
<i>Long Term Rating</i>	AA+/Stable	New
Maplewood GO imp bnds ser 2022A dtd 06/15/2022 due 02/01/2038		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Maplewood GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Maplewood GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Maplewood GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Maplewood GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to Maplewood, Minn.'s \$2.125 million series 2023A general obligation (GO) improvement bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the city's GO debt outstanding.
- The outlook is stable.

Security

The city's full faith and credit pledge and ability to levy unlimited ad valorem property taxes secure the bonds. Officials intend to pay debt service with special assessments levied against benefiting properties and the ad valorem property tax revenues. Bond proceeds will finance the cost of street improvement projects in 2023.

Credit overview

Maplewood's consistently strong financial performance continued through fiscal 2022 with operationally balanced results after adjusting for a one-time \$3 million transfer out. The fiscal 2023 break-even general fund budget includes a 10% wage increase for public safety employees and varying increases for 90% of other city employees, following a salary study. These costs were offset by a levy increase. With the city above its fund balance policy of five months of operating expenditures, it is considering additional spending allocations, up to \$1.5 million. The city's largest employer, 3M, announced 1,100 layoffs at its corporate headquarters (8% of staff), but most of these employees either work remotely or live outside of Maplewood, so an economic impact is not expected. Furthermore, we expect the high levels of unassigned fund balance reserves will remain stable and continue to exceed the city's policy. Offsetting factors include our view of Maplewood's debt burden as high relative to its operating budget and underlying economic

factors that remain a limiting credit factor.

The 'AA+' rating reflects our assessment of the city's:

- Central location in the Minneapolis-St. Paul metropolitan statistical area that supports economic stability and residential growth, and the city's two regional transit projects that will connect residents to job centers, housing options, and other key area destinations;
- Very strong management policies and practices under our Financial Management Assessment, highlighted by monthly budget-to-actual and investment reporting to the city council, long term financial and capital improvement plans, comprehensive financial policies that are reviewed annually, along with a strong institutional framework score;
- Weak debt profile, with one series of privately placed debt outstanding that we note has no nonstandard events of default; and
- Contributions to two multiple-employer, defined-benefit pension plans administered by Public Employees' Retirement Association of Minnesota--the pension plans are underfunded (76.7% and 70.5%, as of June 30, 2022), and annual contributions are based on a statutory formula that is not actuarially based, increasing the likelihood of future cost acceleration; however, annual costs remain low compared with the overall budget, and the city has sufficient operational flexibility to adjust for higher costs.

Environmental, social, and governance

Environmental, social, and governance factors are neutral within our credit analysis. The city's cyber security practices align with those of peers.

Outlook

The stable outlook reflects our opinion that Maplewood is well positioned to continue to achieve stable and structurally balanced operations based on the city's historical tax base stability and resilience, coupled with our view of its very strong reserves, significant taxing flexibility, and robust policies and strong management.

Downside scenario

Although unlikely, we could lower the rating if multiple credit measures deteriorated, such as a slowdown in the economy leading to weaker revenue performance and a reduction in reserve balances.

Upside scenario

We could raise the rating if the city's economic profile improved to levels commensurate with those of higher-rated issuers, or it decreased its overall debt burden materially.

Maplewood, Minnesota--key credit metrics

	Most recent	Historical information		
		2022	2021	2020
Strong economy				
Projected per capita EBI % of U.S.	110			
Market value per capita (\$)	131,357			

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

	Most recent	Historical information		
		2022	2021	2020
Population			43,026	42,773
County unemployment rate(%)		2.7		
Market value (\$000)	5,651,774	5,124,121	4,751,312	
Ten largest taxpayers % of taxable value	11.6			
Strong budgetary performance				
Operating fund result % of expenditures		1.7	16.6	15.9
Total governmental fund result % of expenditures		34.6	31.3	0.4
Very strong budgetary flexibility				
Available reserves % of operating expenditures		62.9	57.7	49.1
Total available reserves (\$000)		15,246	13,226	10,900
Very strong liquidity				
Total government cash % of governmental fund expenditures		156	166	108
Total government cash % of governmental fund debt service		553	601	517
Very strong management				
Financial Management Assessment	Strong			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		28.2	27.6	20.9
Net direct debt % of governmental fund revenue	119			
Overall net debt % of market value	4.5			
Direct debt 10-year amortization (%)	75			
Required pension contribution % of governmental fund expenditures		6.0		
OPEB actual contribution % of governmental fund expenditures		0.0		
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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