

# RatingsDirect®

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## Summary:

# Maplewood, Minnesota; General Obligation

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### Credit Profile

US\$4.88 mil GO imp bnds ser 2024A due 06/10/2040

*Long Term Rating*

AA+/Stable

New

### Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to Maplewood, Minn.'s \$4.88 million series 2024A general obligation (GO) improvement bonds.
- 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. Bond proceeds will finance the cost of street improvement projects in 2024.

### Credit overview

Our view of Maplewood's credit quality is underlined by its historical strong financial consistency, with the expectation this will continue given detailed long-term planning and widely upheld financial policies. Offsetting factors include our view of Maplewood's debt burden as high relative to its operating budget and underlying economic factors, which while strong, constrain the rating.

Maplewood's consistently strong financial performance continued through fiscal 2023 (year-end Dec. 31) with estimates showing a general fund surplus of \$1.7 million (about 5% of expenditures). This is attributed to unbudgeted \$1.17 million in public safety aid along with \$700,000 of additional unbudgeted revenue; expenditures came in \$400,000 lower than budgeted due to unfilled vacancies. Fiscal 2023 included 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. For fiscal 2024, the city budgeted break-even results in the general fund; based on year-to-date results, management said revenues will likely exceed the budget. With the city above its fund balance policy of five months of operating expenditures, it is considering additional spending allocations. Furthermore, we expect the high levels of unassigned fund balance reserves will remain stable and continue to exceed the city's policy.

Recent layoffs at 3M, Maplewood's largest employer, did not affect the city's economy, as most of these employees either work remotely or live outside of Maplewood. Another large employer, M Health Fairview, is expanding, which will double the size of its St. John's Hospital, and will result in up to 25% increase in staff. Management also reports several large senior living and multifamily housing units are under construction and that the Maplewood Mall, with a large vacant space, was recently purchased and will be developed.

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 \$9 million of additional debt over the next two-three years although with continued rapid amortization, we do not believe this will materially increase the city's debt profile; and
- Contributions to two multiple-employer, defined-benefit pension plans administered by Minnesota Public Employees' Retirement Assn.--the pension plans are 86.5% and 83.1% funded as of June 30, 2023; pension contributions were below our minimum-funding-progress metric, and we do not expect funding to improve materially with current funding practices. (For more information, see "Pension Spotlight: Minnesota," published Aug. 10, 2023.)

**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
<b>Strong economy</b>				
Projected per capita EBI % of U.S.	95			
Market value per capita (\$)	132,695			
Population		43,232	43,026	42,773
County unemployment rate(%)		2.7		
Market value (\$000)	5,736,658	5,651,774	5,124,121	4,751,312

## Maplewood, Minnesota--Key credit metrics (cont.)

	Most recent	Historical information		
		2022	2021	2020
Ten largest taxpayers % of taxable value	11.6			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		1.7	16.6	15.9
Total governmental fund result % of expenditures		34.6	31.3	0.4
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		62.9	57.7	49.1
Total available reserves (\$000)		15,246	13,226	10,900
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		156	166	108
Total government cash % of governmental fund debt service		553	601	517
<b>Very strong management</b>				
Financial Management Assessment	Strong			
<b>Weak debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		28.2	27.6	20.9
Net direct debt % of governmental fund revenue	117			
Overall net debt % of market value	4.2			
Direct debt 10-year amortization (%)	75			
Required pension contribution % of governmental fund expenditures		4.0		
OPEB actual contribution % of governmental fund expenditures		0.0		
<b>Strong institutional framework</b>				

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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