

# RatingsDirect®

---

**Summary:**

## North Mankato, Minnesota; General Obligation; Non-School State Programs

**Primary Credit Analyst:**

Ying Huang, San Francisco + 1 (415) 371 5008; ying.huang@spglobal.com

**Secondary Contact:**

Emily Powers, Santa Fe + 1 (312) 233 7030; emily.powers@spglobal.com

### Table Of Contents

---

Credit Highlights

Outlook

Related Research

## Summary:

# North Mankato, Minnesota; General Obligation; Non-School State Programs

### Credit Profile

US\$2.945 mil GO bnds ser 2024A due 02/01/2040

*Long Term Rating*

AA/Stable

New

North Mankato GO

*Long Term Rating*

AA/Stable

Affirmed

## Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to the City of North Mankato, Minn.'s estimated \$2.945 million series 2024A general obligation (GO) bonds.
- At the same time, we affirmed our 'AA' long-term rating and underlying rating on the city's GO bonds outstanding.
- The outlook on all ratings is stable.

## Security

Securing the bonds are special assessments levied against benefitted properties, as well as the city's full-faith-and-credit pledge and ability to levy unlimited ad valorem property taxes. We are rating to the unlimited tax pledge because the other pledges lack bond provisions to rate under our criteria. Officials will use proceeds for the city's street and utility improvements.

## Credit overview

The rating reflects our view of the North Mankato's growing economy, consistently healthy reserve levels, and robust financial management policies and practices, partially offset by an above-average debt burden.

North Mankato acts as a regional hub for south-central Minnesota, providing extensive employment opportunities to the surrounding areas. Management reports strong housing demand and many residential and commercial projects at various stages of construction that led to healthy growth in the city's tax base in 2023 and 2024 and underscore a growing economy and labor force.

Following a healthy surplus in fiscal 2021, the city posted a modest deficit in fiscal 2022 spurred by increased personnel expense in the police department. The operating results returned to positive in fiscal 2023, reflecting North Mankato's strong management team that monitors financial performance regularly with continuous updates to long-term plans for both operations and capital projects. As a result, the city has consistently maintained a high level of reserves that we expect it will sustain, which we view as credit strength.

The 'AA' rating reflects our assessment of North Mankato's:

- Continuous growth in economy, with a tax base that is primarily residential (73.4%, including both homestead and

## Summary: North Mankato, Minnesota; General Obligation; Non-School State Programs

non-homestead), with a sizable commercial/industrial component (25.2%).

- Well-defined financial management policies and practices, with strong Financial Management Assessment characterized by monthly reporting to the city council on budget-to-actual performance and investment cash balances. The city also maintains comprehensive long-term financial and capital improvement plans that are updated annually and shared with the council. It has an investment management policy and a debt management policy that go beyond state guidelines; however, there is no restriction on interest-rate risk via swaps. North Mankato's general fund balance policy establishes a minimum fund balance of 30% of expenditures, which the city has historically met. The city also has a strong institutional framework score;
- Strong finances, with consistently healthy reserves and available cash, benefitting from a stable and predictable revenue structure, consisting mostly of property taxes (63.7%) and intergovernmental sources (24.1%) in fiscal 2023; and
- Elevated debt outstanding, partially offset by rapid amortization and limited pressure from pension and other postemployment benefits.

### Environmental, social, and governance

We analyzed the city's environmental, social, and governance factors and determined that they are neutral within our credit rating analysis.

## Outlook

The stable outlook reflects our expectation that the city will sustain generally stable operating performance and reserves near current levels.

### Downside scenario

We could take negative rating action if North Mankato's financial performance and reserves were to experience sustained deterioration while debt levels remain high.

### Upside scenario

We could take a positive rating action if there is continued improvement in the city's economy and moderation in debt.

### North Mankato, Minnesota--key credit metrics

	Most recent	Historical information		
		2023	2022	2021
<b>Strong economy</b>				
Projected per capita EBI % of U.S.	120			
Market value per capita (\$)	129,210			
Population		14,192	14,510	14,288
County unemployment rate (%)			2.0	
Market value (\$000s)	1,833,745	1,751,685	1,520,193	
Ten largest taxpayers % of taxable value	8.6			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		1.7	(2.1)	7.3

## Summary: North Mankato, Minnesota; General Obligation; Non-School State Programs

### North Mankato, Minnesota--key credit metrics (cont.)

	Most recent	Historical information		
		2023	2022	2021
Total governmental fund result % of expenditures		4.0	3.5	7.4
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		41.9	42.3	50.1
Total available reserves (\$000s)		4,389	4,300	4,582
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		86	102	132
Total government cash % of governmental fund debt service		574	633	661
<b>Very strong management</b>				
Financial Management Assessment		Strong		
<b>Adequate debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		14.9	16.1	20.0
Net direct debt % of governmental fund revenue		145		
Overall net debt % of market value		3.7		
Direct debt 10-year amortization (%)		68		
Required pension contribution % of governmental fund expenditures		3.1		
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

- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- 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 July 8, 2024)

North Mankato GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

## Summary: North Mankato, Minnesota; General Obligation; Non-School State Programs

### Ratings Detail (As Of July 8, 2024) (cont.)

North Mankato GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato GO rfdg bnds ser 2021C due 12/01/2029		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato GO (Non School Prog)		
<i>Long Term Rating</i>	AAA/Stable	Current
<i>Unenhanced Rating</i>	NR(SPUR)	Current
<i>Underlying Rating for Credit Program</i>	AA/Stable	Affirmed
<b>North Mankato Port Authority Commission, Minnesota</b>		
North Mankato, Minnesota		
North Mankato Port Auth Comm (North Mankato) taxable GO bnds (North Mankato) ser 2021B due 02/01/2043		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato Port Auth Comm (North Mankato) GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
North Mankato Port Auth Comm (North Mankato) GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.