S&P Global
Ratings

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Summary:

St. Joseph, Minnesota; General Obligation

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Table Of Contents

Summary:

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Credit Profile		
US$2.5 mil GO bnds ser 2023A dtd 10/17/2023 due 12/15/2033		
Long Term Rating	AA-/Stable	New
St. Joseph GO bnds		
Long Term Rating	AA-/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA-' rating to St. Joseph, Minn.'s roughly $2.5 million series 2023A general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA-' rating on the city's existing GO debt.
- The outlook is stable.

Security

The city's full-faith-and-credit GO pledge secures the bonds, including its ability to levy ad valorem taxes on all real property in the city. The bonds are payable from special assessments, net revenue from the city's water-and-sewer utilities, and ad valorem taxes; however, we rate to the unlimited-ad valorem-tax pledge.

Officials intend to use series 2023A bond proceeds to finance various street-and-capital improvements.

Credit overview

St. Joseph is in the St. Cloud metropolitan statistical area (MSA) in central Minnesota. Lower-than-average income is due partially to the presence of the student population, but continued market value growth due to commercial and residential development partially offset economic weakness. Due to continued developments and significant property valuation increases, the city has experienced consistent property tax base growth during the past decade. Since new commercial and residential plans persist, we expect to see continued valuation growth during the next few years.

The city's strong record of well-managed finances and robust reserves further support our view. Stable finances are due largely to management's ability to control expenditures as shown with fiscal 2022 breakeven results. As an effort to spend one-time American Rescue Plan Act of 2021 (ARPA) funds, officials are budgeting for a $155,000 draw on the general fund in fiscal 2023. Currently $400,000 of one-time grant money remains to be spent by fiscal 2024.

Despite plans to spend down ARPA funds, we expect reserves will likely remain in-line with the fund-balance policy of maintaining four months' to six months' expenditures; we think that this provides financial flexibility in times of stress and that it is a credit strength.

As part of capital planning, the city plans to issue an estimated $18 million of additional debt during the next two years. With planned debt issuances, we expect debt will likely remain weak during the next few years.

The rating reflects our view of the city's:

- Growing local economy, demonstrated by year-over-year tax base growth, with access to an MSA and a local stabilizing institutional influence partially offsetting below-average income;
- Strong management with good financial-management policies, practices under our Financial Management Assessment (FMA) methodology--highlighted by its budget-to-actual and investment reporting to the city council, robust capital planning, and formal reserve policy to maintain a minimum four months' to six months' general fund expenditures--and strong Institutional Framework score;
- Healthy finances, including a strategically planned ARPA spend down through fiscal 2024; ample budgetary flexibility in-line with the fund-balance policy; and very strong liquidity with total governmental available cash of $13 million, or 178% of total governmental expenditures, after adjusting for unspent bond proceeds at fiscal year-end 2022; and
- Weak debt-and-contingent-liability profile with high debt-service fixed costs, slightly offset by rapid amortization with a majority of debt scheduled to be retired within 10 years and no near-term pressure from pension and other postemployment benefit plans--However, we expect debt will likely remain elevated as the city continues its capital plans.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) risks relative to the city's economy, management, budgetary outcomes, and debt-and-liability profile; we view them all as credit neutral.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the city will likely spend down remaining ARPA funds while maintaining very strong reserves in-line with its formal policy.

Downside scenario

We could lower the rating if finances and reserves were to experience sustained deterioration, resulting in weakening reserves to levels we no longer consider comparable with similar-rated peers.

Upside scenario

We could raise the rating if income and market value per capita were to improve significantly, in conjunction with a more-moderate debt profile while the city maintains current finances.

St. Joseph, Minnesota key credit metrics

	Most recent	--Historical information--		
		2022	2021	2020
Strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	66.2	67.0	66.0	72.0
Market value per capita ($)	93,046	80,524	75,753	72,437
Population		7,197	7,108	6,970
County unemployment rate(%)	2.8	2.7	3.6	5.9
Market value ($000)	669,650	579,534	538,452	504,889

St. Joseph, Minnesota key credit metrics (cont.)	Most recent	--Historical information--		
		2022	2021	2020
10 largest taxpayers as a % of taxable value	10.5	11.3	11.6	13.1
Strong budgetary performance				
Operating fund result as a % of expenditures		(0.2)	36.9	4.9
Total governmental fund result as a % of expenditures		20.9	15.8	9.2
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		86.4	113.7	74.3
Total available reserves ($000)		3,988	4,181	3,543
Very strong liquidity				
Total government cash % of governmental fund expenditures		178.4	167.9	137.2
Total government cash % of governmental fund debt service		609.6	630.2	1,093.5
Strong management				
Financial Management Assessment	Good			
Weak debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		29.3	26.6	12.6
Net direct debt as a % of governmental fund revenue	271.0			
Overall net debt as a % of market value	4.8			
Direct debt 10-year amortization (%)	79.1			
Required pension contribution as a % of governmental fund expenditures		3.2		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		-		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2022 Update Of Institutional Framework For U.S. Local Governments
- 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 September 13, 2023)		
St. Joseph GO bnds ser 2021A due 12/15/2036		
Long Term Rating	AA-/Stable	Affirmed

Ratings Detail (As Of September 13, 2023) (cont.)

St. Joseph GO cap imp plan rfdg bnds		
Long Term Rating	AA-/Stable	Affirmed
St. Joseph GO imp bnds ser 2010B dtd 09/01/2010 due 12/01/2011-2020 2023 2025		
Long Term Rating	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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.