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Summary:

Maplewood, Minnesota; General Obligation

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Table Of Contents

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Credit Profile		
US$4.02 mil GO imp rfdg bnds ser 2015A dtd 01/01/2015 due 08/01/2026		
Long Term Rating	AA+/Stable	New
Maplewood GO		
Long Term Rating	AA+/Stable	Affirmed
Maplewood GO bnds ser 2014A dtd 08/01/2014 due 02/01/2035		
Long Term Rating	AA+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Maplewood, Minn.'s series 2015A general obligation (GO) improvement refunding bonds. At the same time, we affirmed our 'AA+' long-term rating on the city's outstanding bonds. The outlook is stable.

The city's unlimited-tax GO pledge secures the bonds. In addition, Maplewood is also pledging special assessments against benefited properties. The city will use proceeds to partially refund its series 2005A and 2006A GO improvement bonds for interest cost savings.

The rating reflects our view of the city's:

Strong economy

We consider the city's economy strong, given projected per capita effective buying income is at 94% of the U.S. level and market value per capita of $85,278. Maplewood, in Ramsey County, is just northeast of St. Paul, and home to approximately 39,413 residents. Its location provides residents with full participation in the Twin Cities economic base, so the city benefits from being a part of the broad and diverse Minneapolis-St. Paul metropolitan statistical area (MSA). It is also home to such notable employers as 3M Co. (its corporate headquarters) and HealthEast Care System/St. John's Hospital. The county's unemployment rate averaged 5% in 2013.

Very strong budgetary flexibility

We consider Maplewood's budgetary flexibility very strong, with fiscal 2013 (Dec. 31) available general fund reserves of $8 million at 41.9% of adjusted expenditures. Expenditures were adjusted to include routine transfers out of the general fund. We expect reserves to stay above 30% for the next two years, which we view as a credit strength.

Very strong liquidity

Supporting the city's finances is what we consider very strong liquidity, with total government available cash (excluding unspent bond proceeds) at 56% of total governmental funds expenditures and 192% of total governmental funds debt service. In addition, we believe that the city has strong access to external liquidity, given its frequent issuance of GO bonds in the past 20 years.

Strong management conditions

We view the city's management conditions as strong, with "good" financial practices and policies under our Financial Management Assessment methodology, indicating that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.

Weak budgetary performance

Budgetary performance has been weak overall, in our view, with a 2.4% reduction in the general fund after the sizable transfer to capital projects and other funds, and 3.7% for total governmental funds. Total governmental funds revenues and expenditures were adjusted for spending of bond proceeds, routine transfers in and out from/to enterprise funds and receipt and spending of large grant proceeds. The city's current practice is to maintain reserves at or near 40% of operating expenditures, and to transfer any excess to capital projects funds or other funds. Prior to transfers (which have been made regularly), the general fund recorded a positive result. In addition, due in part to capital pressures, the total governmental funds receive grants and bond proceeds where a timing difference between spending and receiving of funds across fiscal years may lead to expenditures exceeding revenues. Management projects results in line with historical trends for fiscal years 2014 and 2015.

Weak debt and contingent liability profile

The city's debt and contingent liability position is weak, in our opinion. In fiscal 2013, total governmental funds debt service was 29% of adjusted total governmental funds expenditures, and net direct debt was 211% of total governmental funds revenue. The city plans to issue approximately $2 million to $6 million each year in the next two years, but we don't expect this amount to materially affect the debt score. Debt amortization is rapid, with 82.5% of debt scheduled to retire within 10 years, which we view as a positive credit factor.

The city covers all full-time and certain part-time employees through defined-benefit plans administered by the Public Employees Retirement Assn. of Minnesota (PERA). The city is making its contractually required contributions. City retirees may remain on the city's health care plan at 100% cost to the retiree, creating an implicit subsidy. The combined pension and OPEB costs for fiscal 2013 were 4% of total governmental funds expenditures.

Strong institutional framework

We consider the Institutional Framework score for Minnesota cities with a population over 2,500 strong.

Outlook

The stable outlook reflects our expectation that Maplewood will maintain very strong budgetary flexibility and liquidity during the two-year outlook horizon. wWe therefore do not expect to change the rating during the two-year outlook horizon. A higher rating is unlikely over the next two years, because we do not expect the city's economic and debt profile to improve significantly. A significant use of reserves, although not viewed as likely given the city's projections, could lead to downward rating pressure.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Minnesota Local Governments

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