

RatingsDirect®

Summary:

Rockford, Minnesota; General Obligation; Non-School State Programs

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Table Of Contents

Credit Highlights

Outlook

Summary:

Rockford, Minnesota; General Obligation; Non-School State Programs

Credit Profile

| | | |
|--|------------|----------|
| US\$1.82 mil GO cap nts ser 2025A dtd 02/04/2025 due 02/01/2036 | | |
| <i>Long Term Rating</i> | AA/Stable | New |
| Rockford GO | | |
| <i>Long Term Rating</i> | AA/Stable | Affirmed |
| Rockford GO taxable tax abatement bnds ser 2014A dtd 04/01/2014 due 02/01/2021-2024 2026 2028 2030 2032 2035 | | |
| <i>Long Term Rating</i> | AA/Stable | Affirmed |
| Rockford NONSCHSTPR | | |
| <i>Long Term Rating</i> | AAA/Stable | Current |
| <i>Underlying Rating for Credit Program</i> | AA/Stable | Affirmed |

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Rockford, Minn.'s anticipated \$1.8 million series 2025A general obligation (GO) capital notes, based on the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term and underlying rating on the city's GO bonds outstanding.
- The outlook is stable.

Security

Revenue from unlimited ad valorem taxes levied on property within the city secures the GO capital notes. A portion of the city's debt outstanding is also secured by net revenue from utilities, tax abatement, and a tax increment financing district. However, there is insufficient information to rate to the alternative pledges under our criteria and therefore we rate to the GO pledge. Capital notes proceeds will be used to fund the purchase of an aerial truck.

Credit overview

The rating reflects our view of the city's history of generally positive operating performance and steady tax base growth, which support its general creditworthiness, and is offset by its nominally small available reserves. The rating also incorporates our view of the city's above-average incomes and frequent review of budgetary performance, which lead us to anticipate at least balanced operations as the city phases one-time revenues out of its budget.

The city's assessed value has gradually increased since our last review and management expects this to continue as a result of ongoing single-family home residential development. The city ended fiscal 2023 with a surplus as a result of a one-time aid and investment revenues. Its fiscal 2025 budget indicates essentially balanced general fund operations, and we believe it will maintain positive operations and reserves at historical levels during the outlook period.

Summary: Rockford, Minnesota; General Obligation; Non-School State Programs

The 'AA' rating also reflects our view of the following:

- Rockford's tax base continues to benefit from residential development, although the city is largely built out, and from its participation in the Minneapolis-St. Paul metropolitan area, which drives median household and per capita incomes higher than the Wright County average.
- Operating results that are generally positive. Management estimates a negative operating result of about \$190,000 (almost 7% of estimated revenue) for fiscal 2024; however, we believe this is conservative, as the city received local government aid in December and is anticipating a positive operating result.
- Reserves that have historically exceeded the city's formal reserve minimum of 50% of budgeted expenditures and general fund available reserves that just crossed the \$2 million threshold.
- Current costs for debt and liability that are above the peer medians'. Management reports no near-term bonding plans or significant capital needs beyond typical capital improvement plan projects. For more information regarding Minnesota pension plans, see "Pension Spotlight: Minnesota" published Aug. 10, 2023, on RatingsDirect.
- Budgeting practices generally follow state guidelines, and the city has basic policies governing investments and debt. Budget-to-actual reports are released quarterly throughout the fiscal year, allowing the city to monitor and update the budget to adjust for variances. Cyber security practices align with peers'.
- For more information on our institutional framework assessment for Minnesota municipalities, see "Institutional Framework Assessment: Minnesota Local Governments," published Sept. 10, 2024 on RatingsDirect.

Environmental, social, and governance

We view physical, social and governance factors as neutral in our credit analysis.

Outlook

The stable outlook reflects our view that the city's operations will remain at least balanced through the next two years, as it plans to maintain reserves in compliance with its formal target of 50% of expenditures after phasing one-time revenues out of the budget.

Downside scenario

We could lower the rating if there were a material reduction in available reserves without what we view as a credible plan to restore.

Upside scenario

We could raise the ratings if the local economy diversifies through sustainable economic growth, resulting in consistent growth in key economic variables, while the city maintains reserves above its formal reserve target.

Table 1

| Rockford, Minnesota--Credit summary | |
|-------------------------------------|------|
| Institutional framework (IF) | 1 |
| Individual credit profile (ICP) | 2.10 |
| Economy | 3.0 |
| Financial performance | 2 |
| Reserves and liquidity | 2 |

Summary: Rockford, Minnesota; General Obligation; Non-School State Programs

Table 1

| Rockford, Minnesota--Credit summary (cont.) | |
|---|------|
| Management | 2.00 |
| Debt and liabilities | 1.50 |

Table 2

| Rockford, Minnesota--Key credit metrics | | | | |
|--|-------------|---------|---------|---------|
| | Most recent | 2023 | 2022 | 2021 |
| Economy | | | | |
| Real GCP per capita % of U.S. | 54 | -- | 54 | 56 |
| County PCPI % of U.S. | 96 | -- | 96 | 95 |
| Market value (\$000s) | 551,565 | 498,510 | 416,463 | 366,792 |
| Market value per capita (\$) | 116,046 | 104,883 | 85,428 | 78,191 |
| Top 10 taxpayers % of taxable value | 8.3 | 8.3 | 8.2 | -- |
| County unemployment rate (%) | 3.2 | 2.9 | 2.5 | 3.4 |
| Local median household EBI % of U.S. | 126 | 126 | 121 | -- |
| Local per capita EBI % of U.S. | 128 | 128 | 112 | -- |
| Local population | 4,753 | 4,753 | 4,875 | 4,691 |
| Financial performance | | | | |
| Operating fund revenues (\$000s) | -- | 3,422 | 2,731 | 2,892 |
| Operating fund expenditures (\$000s) | -- | 2,598 | 2,348 | 2,249 |
| Net transfers and other adjustments (\$000s) | -- | (313) | (520) | (288) |
| Operating result (\$000s) | -- | 511 | (137) | 355 |
| Operating result % of revenues | -- | 14.9 | (5) | 12.3 |
| Operating result three-year average % | -- | 7.4 | 7.6 | 6.9 |
| Reserves and liquidity | | | | |
| Available reserves % of operating revenues | -- | 59.9 | 64.8 | 66.6 |
| Available reserves (\$000s) | -- | 2,049 | 1,771 | 1,927 |
| Debt and liabilities | | | | |
| Debt service cost % of revenues | -- | 9.8 | 11.1 | 11.1 |
| Net direct debt per capita (\$) | 1,539 | 1,309 | 1,397 | 1,251 |
| Net direct debt (\$000s) | 7,316 | 6,220 | 6,808 | 5,870 |
| Direct debt 10-year amortization (%) | 87 | 95 | -- | -- |
| Pension and OPEB cost % of revenues | -- | 2.0 | 3.0 | 2.0 |
| NPLs per capita (\$) | -- | 108 | 162 | 86 |
| Combined NPLs (\$000s) | -- | 514 | 792 | 406 |

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data are generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits.

Ratings Detail (As Of January 10, 2025)

Rockford GO rfdg bnds ser 2016B dtd 08/01/2016 due 02/01/2025

Long Term Rating

AA/Stable

Affirmed

Summary: Rockford, Minnesota; General Obligation; Non-School State Programs

Ratings Detail (As Of January 10, 2025) (cont.)

Rockford GO tax incre fin bnds ser 2016A dtd 07/12/2016 due 02/01/2038

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.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at 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.

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