

**Rating Action: Moody's upgrades City of Albertville, MN's GO rating to Aa2 and assigns Aa2 issuer rating**

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New York, January 25, 2023 -- Moody's Investors Service has assigned a Aa2 issuer rating to the City of Albertville, MN. The issuer rating reflects the city's credit quality and ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. Concurrently, Moody's upgraded the city's outstanding general obligation unlimited tax (GOULT) ratings to Aa2 from Aa3. This action concludes a review that was initiated on November 3, 2022 in conjunction with the release of the US Cities and Counties Methodology. The city has about \$11 million in outstanding debt.

**RATINGS RATIONALE**

The Aa2 issuer rating reflects the city's robust financial position, limited and somewhat concentrated tax base, and long-term leverage that is manageable, but expected to grow. The city's full value per capita and resident incomes are lower than comparably rated cities. The city's economic growth rate lags the nation, though it is in line with peers at the Aa2 rating and will likely continue to exhibit stability due to its proximity to the Twin City metro area.

The issuer rating also reflects the city's exceptionally strong reserves, which are expected to remain steady. We expect the city's financial position to remain a credit strength, given strong budget management. Fiscal 2022 preliminary estimates show a slight surplus. The fiscal 2023 budget includes a modest levy increase to keep up with inflation. The city closed fiscal 2021 with a strong 202% of revenues in reserves. The city operates various enterprises including sewer, water, stormwater and recycling.

The issuer rating further considers the city's manageable leverage and fixed costs, which are expected to grow based on future debt plans. Total liabilities, consisting of direct debt, pensions, and other liabilities, are equivalent to over 165% of revenues. This includes approximately \$11 million of GO bonds issued by the city. Management expects to issue additional direct debt totaling about \$10 million in 2023 for a waste water treatment project. This could bring the total liabilities ratio to over 260%. The city's fixed costs are low, representing less than 11% of revenues.

The Aa2 rating on the GOULT bonds is at the same level as the city's issuer rating because the city has pledged its full faith, credit and taxing power for repayment of the bonds. The bonds also benefit from a dedicated ad valorem tax, levied against all taxable property in the city without limitation as to rate or amount.

**RATING OUTLOOK**

Moody's does not typically assign outlooks to local governments with this amount of debt.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Growth in resident wealth and income
- Diversification of the tax base

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- Sustained declines in reserves
- Material increase to overall leverage or fixed costs

**LEGAL SECURITY**

Outstanding GOULT bonds are backed by the city's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. GOULT bonds are additionally secured by statute.

**PROFILE**

The City of Albertville is located in northeastern Wright County, in the east central portion of State of Minnesota (Aaa stable). The city is approximately 35 miles northwest of the Twin Cities (Minneapolis, Aa1 stable; St. Paul, Aa1 stable) Metropolitan Area. Albertville's population has grown significantly in recent decades, increasing to more than 7,400 residents in 2020 from less than 1,300 in 1990.

## METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

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