

RatingsDirect®

Summary:

Cambridge, Minnesota; General Obligation

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Credit Profile

US\$1.985 mil GO imp bnnds ser 2024A dtd 05/30/2024 due 02/01/2035

Long Term Rating

AA/Stable

New

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Cambridge, Minn.'s \$2 million series 2024A general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating and underlying rating on the city's GO debt outstanding.
- The outlook is stable.

Security

The city's full faith and credit, including its ability to levy ad valorem property taxes without limitation as to rate or amount, secures the bonds. The city plans to finance a portion of debt service from special assessments levied against benefited properties, but ad valorem tax revenue without limitation as to rate or amount secures the bonds. Proceeds from the 2024A bonds will finance street improvements.

Credit overview

In our view, Cambridge benefits from very high reserves based on a history of strong budgetary performance and conservative management practices. Growth in building permits has also contributed to strong revenue performance in recent years, and building permit revenue continues to outperform projections through fiscal 2024 with a projected operating surplus of \$200,000, or 2% of budgeted operating expenditures and routine transfers. Cambridge is relatively small, with approximately 10,000 residents, but the hundreds of housing units under construction lead us to believe that the city is in a period of growth. Officials plan to reduce the property tax rate and maintain reserves, and do not plan to materially increase the debt burden to finance development. Based on year-to-date financial results and long-term projections, we believe Cambridge will be able to maintain credit characteristics during this expansion. Wealth and income metrics are low compared with those of higher-rated peers and constrain upward rating potential, but we expect the financial position will remain stable.

The 'AA' long-term rating reflects our view of the city's:

- Role as a small regional draw but with significant development, as businesses are expanding and large residential developments are underway;
- Very strong management focused on budgetary balance executed through long-term planning and a strong institutional framework score;
- Building permit revenue growth fueling large surpluses and maintenance of very high reserves;

- Moderating debt compared with expenditures and the overall tax base with preliminary plans to issue \$6 million in additional debt in fiscal 2025 (largely the rate of amortization) to support ongoing street projects; and
- Adequately funded pension obligations that do not represent medium-term credit pressure.

Environmental, social, and governance

We assessed environmental, social, and governance factors relative to Cambridge's economy, management, financial measures, and debt and liability profile, and view them as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our view that the city will maintain very strong reserves, supported by balanced operations and at least a stable local economy.

Downside scenario

Although unlikely, if financial performance were to deteriorate significantly, leading to sustained decreases in reserves, we could take a negative rating action.

Upside scenario

We could raise the rating if management's expected economic growth materializes with sustained higher wealth and income indicators, amid maintenance of reserves and debt.

Cambridge key credit metrics				
	Most recent	Historical information		
		2023	2022	2021
Strong economy				
Projected per capita EBI as % of U.S.	83			
Market value per capita (\$)	101,591			
Population		9,872	9,564	
County unemployment rate (%)		3.4		
Market value (\$000s)	1,002,906	884,340	797,286	
Ten largest taxpayers as % of taxable value	11.1			
Strong budgetary performance				
Operating fund result as % of expenditures		6.0	2.0	2.1
Total governmental funds result as % of expenditures		33.4	16.5	11.4
Very strong budgetary flexibility				
Available reserves as % of operating expenditures		43.4	41.9	43.4
Total available reserves (\$000s)		3,712	3,578	3,641
Very strong liquidity				
Total government cash as % of governmental funds expenditures		187	180	164
Total government cash as % of governmental funds debt service		1,414	1,286	1,244
Very strong management				
Financial management assessment	Strong			

Cambridge key credit metrics (cont.)

	Most recent	Historical information		
		2023	2022	2021
Adequate debt and long-term liabilities				
Debt service as % of governmental funds expenditures		13.2	14.0	13.2
Net direct debt as % of governmental funds revenue	97			
Overall net debt as % of market value	3			
Direct debt 10-year amortization (%)	84			
Required pension contribution as % of governmental funds expenditures		4.5		
OPEB actual contribution as % of governmental funds expenditures		0		

Strong institutional framework

Note: Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- 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
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2022 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of May 1, 2024)

Cambridge GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cambridge GO bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cambridge GO bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cambridge GO bnds ser 2016A dtd 05/16/2016 due 02/01/2027		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cambridge GO bnds ser 2022A dtd 05/26/2022 due 02/01/2033		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cambridge GO sales tax rev bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Cambridge GO wtr rev bnds		
<i>Long Term Rating</i>	AAA/Stable	Current
<i>Underlying Rating for Credit Program</i>	AA/Stable	Affirmed

Summary: Cambridge, Minnesota; General Obligation

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