

# **Bond Case Briefs**

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## **S&P U.S. Local Governments Credit Brief: Minnesota Cities, Counties, And Schools**

### **Overview**

As the COVID-19 pandemic continues, the ratings on Minnesota local governments rated by S&P Global Ratings have mostly remained resilient, driven by largely stable property tax bases, balanced budgets, and very strong reserves and liquidity.

S&P Global Ratings maintains ratings on 326 cities, 64 counties, and 122 school districts in Minnesota as of Sept. 30, 2021. Overall, local government credit quality in the state remained stable despite the COVID-19 pandemic, as most entities do not have outsized reliance on economically sensitive revenue, and most responded preemptively by managing their revenue expectations and expenditures.

Only 10% of the rated issuers experienced rating changes as of January 2020 through Sept. 30, 2021. During this time, 2% of Minnesota local governments had positive rating actions and 8% had negative rating actions on their issuer credit ratings or general obligation bonds. Most of the ratings, 96%, have a stable outlook.

Most downgrades resulted from weakened economic measures and concentration, deteriorating budget performance, and weakened budgetary flexibility. In some cases, financial deterioration was exacerbated by weakened management controls. Weak to very weak debt burdens also contributed to diminished flexibility and credit deterioration. While upgrades were not common, they were mainly attributed to sustained economic and financial improvement.

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