

Research Update:

Little Falls, MN GO Rating Outlook Revised To Stable From Negative On Stabilized Golf Fund

December 10, 2025

Overview

- S&P Global Ratings revised the outlook to stable from negative and affirmed its 'A' long-term rating and underlying rating (SPUR) on [Little Falls](#), Minn.'s previously issued general obligation (GO) debt.
- At the same time, S&P Global Ratings assigned its 'A' long-term rating to the city's anticipated \$2.2 million series 2025A GO permanent improvement revolving fund bonds.
- The outlook revision reflects our view of management's efforts to stabilize the golf fund, which was reliant on general fund support and accumulated a sizable interfund loan but is now on firmer financial footing.

Rationale

Security

Revenue from the city's unlimited tax GO bonds secures the series 2025A bonds and previously issued debt. The city additionally pledges special assessments levied against benefited properties and intends to supplement them with other tax and utility revenue. We rate to the city's GO pledge because bond provisions are insufficient to rate to the special assessments and other revenue sources.

Officials will use bond proceeds to fund various improvement projects.

Credit highlights

The rating reflects our holistic view of the city's financial challenges related primarily to the enterprise golf fund and, to a lesser extent, zoo operations. A sizable interfund loan between the general and golf funds, which was \$954,000 by 2024, weakens the general fund balance sheet, which was already nominally thin. The above-average debt load and liability costs are additional credit considerations. Officials have worked to improve finances in various budget areas, and their efforts support credit stability.

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In addition to supporting the golf fund, the general fund was contending with staff cost fluctuations owing to turnover and increased overtime costs. Staffing levels stabilized and overtime costs have diminished, leading to a break-even result in fiscal 2024 and an expected break-even result for 2025. Officials report that the 2026 general fund budget is also poised for at least break-even results. The clubhouse, which was operating at a loss, pressured golf fund operations. The city leased the facility to a third party during fiscal 2025 (which will put the fund on more stable footing), directed \$125,000 in property taxes to the golf fund as part of a 10-year repayment plan for the interfund loan, and adopted stricter cost controls on zoo expenditures. While officials have taken steps to stabilize finances, reserves will likely remain materially lower than average during the next few fiscal years.

The GO rating further reflects our opinion of the city's:

- Income measures that lag those of the county and higher-rated peers. Morrison County per capita gross product and per capita personal income are also well under the national average. However, the city's property tax base has steadily increased as a result of continual development.
- Positive albeit nominally thin reserves and liquidity despite chronic deficits and interfund loans; the city has not relied on external borrowing to meet cash flow needs.
- Implementation of financial software in 2024 that we think could allow for stronger budget controls and reporting in fiscal 2026. While Little Falls has a formal capital plan, it does not produce financial forecasts. And although it has policies governing investments and reserves, we note that reserves fall short of its policy-mandated minimum. The city's cybersecurity and cyber incident response procedures align with those of peers.
- Sizable but manageable debt and liabilities profile with limited exposure to pension and other postemployment benefit liabilities. Officials plan to issue roughly \$2 million to \$3 million of additional debt during the next few years for various capital projects, but we do not think this would weigh down credit quality.
- For more information on our institutional framework assessment for Minnesota municipalities, see "[Institutional Framework Assessment: Minnesota Local Governments](#)," Sept. 10, 2024.

Environmental, social, and governance

Environmental, social, and governance factors are neutral within the credit analysis. While the Mississippi River bisects the city, Little Falls has not experienced flooding. The city continues to work with the Federal Emergency Management Agency to implement flood maps and flood risk mitigation.

Outlook

The stable outlook reflects our view of the structural changes that officials have made to stabilize financial operations across various governmental and enterprise funds, leading to more predictable general fund outcomes.

Downside scenario

We could lower the rating if management's budget balancing efforts do not come to fruition, causing general fund reserves to weaken further.

Upside scenario

We could raise the rating if the city develops a track record of improved financial operations and our view of its reserves and liquidity improves.

Little Falls, Minnesota--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	3.89
Economy	6.0
Financial performance	3
Reserves and liquidity	4
Management	3.30
Debt and liabilities	3.96

Little Falls, Minnesota--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	49	--	49	51
County PCPI as % of U.S.	76	--	76	80
Market value (\$000s)	849,613	816,335	805,326	668,648
Market value per capita (\$)	92,692	89,061	87,803	79,724
Top 10 taxpayers as % of taxable value	14.1	16.0	16.1	15.8
County unemployment rate (%)	4.6	4.4	4.4	4.1
Local median household EBI as % of U.S.	72	72	73	72
Local per capita EBI as % of U.S.	80	80	79	78
Local population	9,166	9,166	9,172	8,387
Financial performance				
Operating fund revenue (\$000s)	--	7,831	7,145	6,472
Operating fund expenditures (\$000s)	--	6,845	6,471	5,701
Net transfers and other adjustments (\$000s)	--	(928)	(815)	(899)
Operating result (\$000s)	--	58	(141)	(128)
Operating result as % of revenue	--	0.7	(2.0)	(2.0)
Operating result three-year average %	--	(1.1)	(1.4)	(0.9)
Reserves and liquidity				
Available reserves as % of operating revenue	--	17.0	17.8	22.0
Available reserves (\$000s)	--	1,335	1,270	1,427
Debt and liabilities				
Debt service cost as % of revenue	--	15.1	18.6	16.4
Net direct debt per capita (\$)	3,862	3,715	3,652	3,346
Net direct debt (\$000s)	35,399	34,054	33,495	28,066
Direct debt 10-year amortization (%)	57	63	59	--

Little Falls, Minnesota--key credit metrics

	Most recent	2024	2023	2022
Pension and OPEB cost as % of revenue	--	3.0	4.0	4.0
NPLs per capita (\$)	--	305	413	850
Combined NPLs (\$000s)	--	2,796	3,788	7,127

Financial data may reflect analytical adjustments and is sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Ratings List

New Issue Ratings

US\$2.2 mil GO perm imp revolving fund bnds ser 2025A dtd 12/29/2025 due 02/01/2041		
Long Term Rating	A/Stable	

Outlook Action

	To	From
Local Government		
Little Falls, MN Unlimited Tax General Obligation and Special Assessments	A/Stable	A/Negative
Little Falls, MN Unlimited Tax General Obligation, Special Assessments, and Tax Increment Revenues	A/Stable	A/Negative

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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 <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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