

Research Update:

Pine Island, MN Series 2026A GO Improvement Bonds Assigned 'AA-' Rating

May 11, 2026

Overview

- S&P Global Ratings assigned its 'AA-' rating to **Pine Island**, Minnesota's roughly \$2.77 million series 2026A general obligation (GO) improvement bonds.
- At the same time, S&P Global Ratings affirmed its 'AA-' rating on the city's existing GO debt.
- The outlook is stable.

Rationale

Security

The series 2026A bonds are a GO of the city, secured by unlimited ad valorem property taxes. The city also pledges tax levies and special assessments from benefited properties. We rate the bonds based on the city's GO pledge.

Officials intend to use series 2026A bond proceeds to finance various street improvement projects.

Credit highlights

The 'AA-' rating is supported by Pine Island's steady financial performance, sufficient reserve levels, and proactive management team, demonstrated by positive operating results after transfers out. However, the rating is tempered by a comparatively high debt burden that we expect will increase and its small economy, which we believe may become concentrated with the development of a large-scale data center.

Located in southeastern Minnesota, in Goodhue County, approximately 15 miles from the Rochester metropolitan statistical area (MSA), the city's tax base is primarily residential and has grown 50% over the past five years. The data center is on a 480-acre site, with Google as the reported end user; the developer has committed to phase 1, with several potential subsequent phases. The city has agreed to some tax abatements with the developer, but overall, the city's property tax collections will increase significantly. The city will not be the site's electricity provider, and water usage will be similar to that of a residential development. We believe there are possible economic or financial risks associated with a data center of this scale given the newness of this industry, but likely the city will benefit, at least, in the short term.

Primary Contact

Jessica Olejak
Chicago
1-312-233-7068
jessica.olejak
@spglobal.com

Secondary Contact

Rebecca Y Roman
Chicago
(1) 708-219-0455
rebecca.roman
@spglobal.com

The city budgets for discretionary capital improvement transfers annually to build fund balances for future projects and makes routine transfers to the library fund for wages. Fiscal year 2025 (year-end Dec. 31) surplus results were primarily due to the sale of Evergreen Place, a senior living facility; otherwise, operations were otherwise in line with the budget. Pine Island's adopted fiscal year 2026 budget is balanced and includes 3% wage increases and a 3.95% levy increase; performance is reported to be trending in line with the budget, with no plans to draw on reserves. While general fund reserves are close to what we would consider nominally low, this risk is mitigated by the over \$2.5 million held in the capital reserve fund, which is available for general fund operations.

The rating reflects our view of the following:

- The city's economy is average, benefiting from its commutable distance to the Rochester MSA, incomes in line with the national average, and steady increases in market values. We anticipate valuations will increase, given ongoing new building development, with the number of new homes peaking in 2025 at 31.
- General fund operations are consistent, with revenues exceeding expenditures as a result of conservative budgeting and assumptions, and predictable general fund revenues, mostly derived from property taxes (64%) and local government aid (20%).
- Budget practices are comprehensive and include formal budget-to-actual reports, maintenance of a long-term capital plan, and a formal reserve policy that calls for maintaining available reserves of at least 35% of general fund expenditures, which the city is in compliance with. The city maintains formal debt and investment management policies. The city has policies and practices in place to mitigate cybersecurity risks.
- The city's debt burden is increasing as it expects to issue debt to finance a portion of its \$33 million contribution to the construction of a regional wastewater treatment facility, likely within the next two years. Project costs are expected to be financed through a mixture of debt issuances, U.S. Department of Agriculture loans, grants, and Minnesota State Bonding. The pension plans are 90% and 89% funded as of June 30, 2024, reflecting increased funding compared with 2023. (For more information, see "[Pension Spotlight: Minnesota](#)," Aug. 10, 2023.)
- Predictability, transparency, and very few limitations on raising revenue or cutting costs are key institutional framework attributes. 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

The two rivers that run through Pine Island flooded in 2010, prompting management to move any development out of the floodplain to mitigate the effects of future flooding events. We believe physical risks are above average and could strain Pine Island's resources should storm and flood patterns worsen. We view social and governance risks as neutral.

Outlook

The stable outlook reflects our expectation Pine Island will maintain balanced operations and healthy reserves over the outlook horizon. In addition, we view the city's other credit factors as stable and unlikely to materially change within the outlook period.

Downside scenario

We could lower the rating if the city does not maintain at least balanced operations, its debt burden increases to a level that impairs operations, or reserves weaken to a level we no longer consider commensurate with those of similarly rated peers.

Upside scenario

We could raise the rating if key economic indicators improve to levels that we consider commensurate with those of higher-rated peers, the city strengthens monitoring mechanisms and adopts formalized policies, or the debt burden decreases significantly, all else remaining equal.

Pine Island, Minnesota--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.52
Economy	2.5
Financial performance	2
Reserves and liquidity	2
Management	2.35
Debt and liabilities	3.75

Pine Island, Minnesota--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	92	--	92	93
County PCPI % of U.S.	96	--	96	97
Market value (\$000s)	503,657	503,657	479,321	472,897
Market value per capita (\$)	131,161	131,161	124,823	122,354
Top 10 taxpayers % of taxable value	18.4	--	18.4	9.9
County unemployment rate (%)	3.7	3.5	3.0	2.8
Local median household EBI % of U.S.	115	--	115	113
Local per capita EBI % of U.S.	102	--	102	100
Local population	3,840	--	3,840	3,865
Financial performance				
Operating fund revenues (\$000s)	--	4,951	4,699	3,744
Operating fund expenditures (\$000s)	--	4,148	4,021	3,331
Net transfers and other adjustments (\$000s)	--	(297)	(598)	(309)
Operating result (\$000s)	--	506	80	104
Operating result % of revenues	--	10.2	1.7	2.8
Operating result three-year average %	--	4.9	0.5	2.3
Reserves and liquidity				
Available reserves % of operating revenues	--	41.0	32.9	39.4
Available reserves (\$000s)	--	2,032	1,544	1,477

Pine Island, Minnesota--key credit metrics

	Most recent	2025	2024	2023
Debt and liabilities				
Debt service cost % of revenues	--	20.6	19.5	20.9
Net direct debt per capita (\$)	3,150	2,677	2,932	3,142
Net direct debt (\$000s)	12,095	10,280	11,257	12,145
Direct debt 10-year amortization (%)	67	75	72	67
Pension and OPEB cost % of revenues	--	4.0	3.0	3.0
NPLs per capita (\$)	--	117	117	174
Combined NPLs (\$000s)	--	451	451	671

Financial data may reflect analytical adjustments and are 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. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$2.770 mil GO imp bnds ser 2026A dtd 2026/06/01 due 2042/02/01

Long Term Rating AA-/Stable

Ratings Affirmed

Local Government

Pine Island, MN Unlimited Tax General Obligation AA-/Stable

Pine Island, MN Unlimited Tax General Obligation and Special Assessments AA-/Stable

Pine Island, MN Unlimited Tax General Obligation, Water System Revenue and Sewer System Revenue AA-/Stable

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.

Pine Island, MN Series 2026A GO Improvement Bonds Assigned 'AA-' Rating

Copyright ©2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software, or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced, or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees, or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness, or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment, and experience of the user, its management, employees, advisors, and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge) and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.