Research Update:

Rockville, MN Series 2026A GO Bonds Rated 'AA+'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA+' rating to Rockville, Minnesota's $990,000 series 2026A general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' on Rockville's existing GO debt.
- The outlook is stable.

Rationale

Security

The bonds are secured by the full faith, credit, and taxing powers of the city. Rockville anticipates debt service will be paid from property tax levies and tax abatements. The bonds will be used to finance costs associated with street and stormwater improvements to Lake Road.

Credit highlights

The 'AA+' rating reflects Rockville's healthy reserves, bolstered by consistently strong operating performance, and stable income and wealth levels supported by its location in the St. Cloud regional economy. We anticipate the city will maintain a robust financial position despite intentional capital spending for a new fire truck and road improvements in the near term.

We expect financial performance will remain positive, supported by a stable revenue structure and conservative budgeting assumptions as demonstrated by a history of posting three consecutive strong operating surpluses. The 2026 budget is projected to yield another surplus of approximately $380,000-$400,000, representing about 22% of revenue, while the 2027 budget is expected to show similarly sized surpluses while maintaining a levy increase of approximately 3.4%. The city plans to use $662,000 in the committed general fund balance to partially finance purchase of a $1.2 million fire truck, the remaining costs of which will be paid from the net operating surpluses anticipated for fiscal years 2026 and 2027. This strategy of using current-year surpluses to fund equipment replacement minimizes the need for new debt while preserving the general fund's long-term stability. The city will also draw $700,000 from its road maintenance fund, which had a fiscal 2025 balance of just over $1.6 million, for near-term road improvements.

We expect Rockville's debt levels will remain moderate given the city has no medium-term debt plans. Over the long term, the city is considering financing options, including potential GO utility revenue debt and external funding sources from the state and federal government, to fund its portion of the shared Cold Spring water/sewer plant expansion project. While this potential long-term obligation represents a future credit consideration, the project is not expected to occur until the early 2030s, providing the city with sufficient lead time to secure external funding sources or structure debt that aligns with utility revenue streams, mitigating immediate pressure on the operating budget and property tax levy.

The rating further reflects our view of the following credit factors:

- Economic growth prospects are supported by a stable population and Stearns County's central location and affordability, which we expect will drive a 5.7% population increase over the next 20 years. Rockville is approximately 10 miles southwest of the City of St. Cloud, offering residents a variety of employment opportunities in the healthcare, education, state government, and manufacturing sectors.
- We anticipate continued revenue stability propelled by property taxes, which account for 73% of collections, and a history of consistent net surpluses, including a $616,000 surplus in 2025.
- Liquidity remains very strong as reserves have increased above $2 million over two audited years and consistently exceed 100% of annual revenues.
- The city maintains standard financial practices, providing at least quarterly budget-to-actual reports and a capital improvement plan focused on street improvements, although it lacks a formal long-term financial plan. It has standard policies for investments and reserves, striving to maintain the greater of six months' expenditures, or more than $1 million, for cash-flow contingencies.
- The debt burden is anticipated to remain moderate following this issuance, with debt and liability costs estimated to stay near 20% of revenues, coupled with stable net pension liabilities.
- For more information on our institutional framework assessment for Minnesota, see "Institutional Framework Assessment: Minnesota Local Governments," Sept. 10, 2024.
- Although physical risks are relevant for the local government sector, we consider Rockville's exposure to natural hazards, including riverine flood risks, low compared with national peers and in a nominal sense, and therefore not a material factor in our credit analysis.

Outlook

The stable outlook reflects our expectation that Rockville will maintain strong financial performance and robust reserves as it continues intentional capital spending.

Downside scenario

We could take a negative rating action if financial performance weakens over a prolonged period, if reserves or liquidity decline materially, or if long-term liabilities increase. We could also lower the rating if debt levels materially increase.

Upside scenario

We could raise the rating if the city's local economy improves, as demonstrated by higher income indicators comparable with those of higher-rated peers, coupled with the adoption of comprehensive financial policies and plans.

Rockville, Minnesota--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.83
Economy	2.0
Financial performance	1
Reserves and liquidity	1
Management	2.65
Debt and liabilities	2.50

Rockville, Minnesota--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	87	--	87	85
County PCPI % of U.S.	89	--	89	89
Market value ($000s)	587,214	568,212	531,983	499,810
Market value per capita ($)	240,464	232,683	217,847	206,363
Top 10 taxpayers % of taxable value	9.3	--	--	9.8
County unemployment rate (%)	4.1	4.0	3.1	2.8
Local median household EBI % of U.S.	120	120	119	129
Local per capita EBI % of U.S.	105	105	103	110
Local population	2,442	--	2,442	2,422
Financial performance				
Operating fund revenues ($000s)	--	1,868	1,958	1,706
Operating fund expenditures ($000s)	--	1,252	1,571	1,325
Net transfers and other adjustments ($000s)	--	--	3	--
Operating result ($000s)	--	616	390	381
Operating result % of revenues	--	33.0	19.9	22.3
Operating result three-year average %	--	25.1	6.9	6.6
Reserves and liquidity				
Available reserves % of operating revenues	--	129.7	109.3	108.9
Available reserves ($000s)	--	2,422	2,140	1,858
Debt and liabilities				
Debt service cost % of revenues	--	14.5	14.6	15.9
Net direct debt per capita ($)	1,687	1,458	1,633	2,012
Net direct debt ($000s)	4,120	3,561	3,987	4,872
Direct debt 10-year amortization (%)	67	76	73	--
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita ($)	--	87	102	146
Combined NPLs ($000s)	--	212	248	354

Rockville, Minnesota--key credit metrics

	Most recent	2025	2024	2023

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$990,000 City of Rockville, Minnesota, General Obligation Bonds, Series 2026A, dated: August 26, 2026, due: February 1, 2042	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Local Government	
Rockville, MN Unlimited Tax General Obligation	AA+/Stable
Rockville, MN Unlimited Tax General Obligation 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.