

## Research Update:

# Wabasha, MN GO Debt Outlook Revised To Negative On Rising Borrowings, Narrow Reserves; 2025A GO Bonds Rated 'AA-'

October 2, 2025

## Overview

- S&P Global Ratings revised its outlook to negative from stable and affirmed its 'AA-' rating on the city of [Wabasha](#), Minn.'s general obligation (GO) debt.
- We also assigned our 'AA-' long-term rating and negative outlook to the city's anticipated \$2 million series 2025A GO improvement and tax abatement bonds.
- The negative outlook reflects Wabasha's rising debt levels and a comparatively thin reserve position, indicating a one-in-three chance of lowering the rating over the two-year outlook period.

## Rationale

### Security

The bonds are secured by the city's full-faith-credit-and-resources pledge, including the agreement to levy ad valorem property taxes without limitation as to rate or amount. Additional security is provided by tax-abatement revenue, special assessments against benefited properties, and revenue from the water and sewer utility, but the rating is based on the city's GO pledge. Bond proceeds will finance street and utility projects in fiscal years 2025 and 2026.

### Credit highlights

The outlook revision reflects Wabasha's rising debt levels, evidenced by an increasing net direct debt per capita and a below-average 10-year debt amortization rate, paired with nominally thin reserves of just over \$2 million, and a steadily declining general fund reserve ratio. Further relative credit weaknesses include the city's limited economic base, characterized by a small population under 5,000, and a gross county product (GCP) representing 53% of the national

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average. However, mitigating factors supporting the 'AA-' rating include the city's taxing flexibility, a demonstrated history of balanced operating results, and a generally stable financial profile.

While located on the Mississippi River and within commuting distance of Rochester (home to the Mayo Clinic), the city's economy lacks the breadth and diversity of many higher-rated peers. We note, however, that Wabasha's role as the seat of Wabasha County provides some economic stability. Recent housing developments, including a 50-unit apartment complex, 12 "twin" homes, and three single-family homes, are expected to support continued net tax capacity growth, but will not likely lead to material population growth.

Wabasha benefits from ample taxing flexibility, supporting its history of balanced-to-surplus budgetary performance. The general fund levy increased approximately 11% in fiscal 2025 and is projected to increase 12% in fiscal 2026 to maintain budgetary balance. While the city's budgets are realistic and utilize standard planning techniques, the absence of long-term operating budget planning is an additional weakness relative to peers. Wabasha's debt has increased in recent years and is projected to rise with a planned \$2 million bond issuance in fiscal 2026 for a barge terminal project managed by the city's port authority. Debt levels may increase further over the long term considering tentative issuance for an estimated \$7.2 million joint services building upgrade.

The rating further reflects our view of the city's:

- Weak GCP per capita, at 53% of the U.S. average, offset by stronger per capita personal incomes near the U.S. average and a high per capita market value of \$151,000. The city's population is small but expected to be stable considering recent new housing development and its modest 1.6% population growth over the past five years.
- An available general fund balance that surpassed \$2 million in fiscal 2024 (47% of revenue), down from a high of \$2.5 million (93% of revenue) in fiscal 2016. Included in the fiscal 2024 fund balance is a \$150,000 general fund receivable to the port authority to provide grant matching funds for the barge terminal project. Management reports this receivable will increase to \$400,000 in fiscal 2025, so we do not anticipate available reserves will materially increase.
- Realistic budget assumptions, with budget monitoring that includes monthly reports on general fund expenditure, but not revenue, compared with budget. The city maintains a capital improvement plan that it has updated at least annually in recent years but does not engage in long-term planning for the operating budget. While it lacks debt and investment policies, the city maintains a formal fund balance policy requiring 40%-60% of next year's budgeted revenue to provide adequate cash flow.
- Rising net direct debt levels that are projected to increase above \$4,200 per capita when factoring the planned \$2 million debt issuance for the barge terminal project in fiscal 2026. Its debt amortization is slower than average, with only 45% of debt maturing within 10 years. The city plans to raise its water and sewer utility rates by 4% annually over the next 10 years to cover some of the debt service on the series 2025A bonds and to finance future utility infrastructure upgrades, which we view as a proactive measure to ensure utility health while making necessary capital improvements.
- Moderate pension and other postemployment costs compared with the budget. We do not anticipate any major changes in pension liabilities in the near term. The city contributes to two multiple-employer defined-benefit pension plans administered by the Public Employee Retirement Association of Minnesota; the pension plans were funded 89% and 90%, respectively, as of June 30, 2024.

- For more information on our institutional framework assessment for Minnesota cities, see: ["Institutional Framework Assessment: Minnesota Local Governments,"](#) Sept. 10, 2024.

Environmental, social, and governance

Wabasha’s location on the Mississippi River exposes the city to flood risk, resulting in periodic cleanup costs and insurance and Federal Emergency Management Agency reimbursement claims. The city has proactively relocated facilities and implemented infrastructure improvements to mitigate flood damage, but management says routine flood cleanup efforts often require extra staff time. Cybersecurity practices are consistent with those of its peers.

Outlook

The negative outlook reflects a one-in-three chance we could lower the rating within two years if future borrowing weakens our assessment of Wabasha’s debt profile, or if available reserves decline. This decline could result from uncollected receivables, causing reserves to fall below levels we consider comparable with those of its peers.

Downside scenario

We could lower the rating if further increases in Wabasha’s debt materially weaken our assessment of the city’s debt and liability profile. Additionally, a decline in Wabasha’s available reserves could lead to a downgrade.

Upside scenario

We could revise the outlook to stable if future debt issuance does not result in a material weakening of debt metrics, and if Wabasha maintains a stable nominal reserve position.

Wabasha, Minnesota--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.73
Economy	4.5
Financial performance	2
Reserves and liquidity	2
Management	2.65
Debt and liabilities	2.5

Wabasha, Minnesota--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	53	--	53	55
County PCPI % of U.S.	90	--	90	92
Market value (\$000s)	402,112	378,048	338,157	291,861
Market value per capita (\$)	151,056	142,017	128,577	112,731
Top 10 taxpayers % of taxable value	16.3	16.3	15.4	15.9
County unemployment rate (%)	3.0	2.9	2.8	2.5
Local median household EBI % of U.S.	89	89	88	83

## Wabasha, Minnesota--key credit metrics

	Most recent	2024	2023	2022
Local per capita EBI % of U.S.	100	100	101	97
Local population	2,662	2,662	2,630	2,589
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	4,292	3,923	3,335
Operating fund expenditures (\$000s)	--	4,049	3,498	3,309
Net transfers and other adjustments (\$000s)	--	(85)	(143)	(117)
Operating result (\$000s)	--	158	282	(91)
Operating result % of revenues	--	3.7	7.2	(2.7)
Operating result three-year average %	--	2.7	1.6	(0.7)
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	47.3	47.8	52.0
Available reserves (\$000s)	--	2,029	1,876	1,735
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	8.7	7.5	7.5
Net direct debt per capita (\$)	3,789	3,093	2,447	569
Net direct debt (\$000s)	10,087	8,233	6,435	1,473
Direct debt 10-year amortization (%)	45	51	51	--
Pension and OPEB cost % of revenues	--	3.0	3.0	3.0
NPLs per capita (\$)	--	419	576	1,159
Combined NPLs (\$000s)	--	1,115	1,515	3,001

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\$2.015 mil GO imp & tax abatement bnds (2025 And 2026 Street And Utility Projects) ser 2025A due 02/01/2042

Long Term Rating AA-  
/Negative

#### New Rating

#### Local Government

Wabasha, MN Unlimited Tax General Obligation, Water and Sewer System, Tax Abatement Revenues and Special Assessments AA-  
/Negative

#### Outlook Action

	To	From
<b>Local Government</b>		
Wabasha, MN Unlimited Tax General Obligation and Special Assessments	AA- /Negative	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.

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