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Research Update:

Northfield, MN Series 2026B GO Street Reconstruction Bonds Assigned 'AA' Rating

July 14, 2026

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to the City of Northfield, Minnesota's $3.4 million series 2026B general obligation (GO) street reconstruction bonds.
- The outlook is stable.

Rationale

Security

Northfield's full-faith-and-credit GO pledge, including the city's unlimited ad valorem taxing powers, secures the series 2026B bonds. Bond proceeds will pay for street reconstruction projects.

Credit highlights

The rating reflects our view of Northfield's well-managed finances, characterized by healthy reserve levels and a stable local economy anchored by St. Olaf and Carleton colleges. Limiting the rating are debt metrics that are increasing to somewhat higher levels compared with those of similarly rated cities, although we do not expect the rising debt burden will materially pressure the local tax base considering Northfield's net tax capacity has increased by nearly 50% over the past five years. The city's economic metrics, specifically its incomes and productivity metrics, are lower than those of higher-rated cities but are somewhat understated due to the local college student population.

Northfield has consistently posted operating surpluses over at least the past 10 years, supported by conservative budgeting and a stable revenue mix consisting mainly of property taxes (59% of fiscal 2025 operating revenue) and state aid (25%). Reserves (inclusive of the liquor store fund) have generally hovered at 60%-70% of operating revenues, above the city's 50% fund balance policy. In 2025, Northfield outperformed its budgeted general fund deficit of $357,000 (1.8% of budgeted revenues), to report a surplus of $728,000 (3.6%) attributable to positive revenue variances and expenditure savings. Northfield plans to draw down one-time state public safety aid received in 2023, as reflected in the fiscal 2026 budget general fund deficit of $250,000 (1.2%). Management expects savings from retirements will likely continue to offset the depletion of these funds.

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The city plans to issue $2 million in additional GO debt annually for routine street projects in the coming years; however, we expect its practice of annually issuing for this purpose will continue without materially increasing Northfield's debt given that the city will repay approximately the same amount it plans to issue each year. Management indicated further plans to issue $3.9 million in GO water revenue bonds in 2027 for water meter replacements. We note about $30 million of the city's existing GO debt, is self-supported from utility revenues; removing this amount reduces net direct debt per capita to about $2,800, which remains elevated but closer to peer median levels.

The rating further reflects our view of the following factors:

- A stable economy, with ongoing residential development and modest population growth. Our economic assessment reflects our view that Carleton and St. Olaf colleges, which have seen steady enrollment, are stabilizing institutions with student populations that likely result in understated local income metrics.
- Stable finances supported by manageable labor costs, a predictable revenue mix, and conservative budgeting, with about $2 million in additional reserves in the liquor store fund. Northfield could spend down some of its liquor store fund cash to relocate the store to facilitate an economic development project, but otherwise has no plans to spend down reserves, which we expect will remain robust and a key credit strength.
- Management practices that support financial stability, including quarterly budget-to-actual and investment reporting to the city council, detailed long-term capital plans that identify funding sources and estimated costs by year, and the above-mentioned 50% fund balance policy that also calls for a one-month emergency reserve. We view the city's cyber risk mitigation measures as consistent with our view of its credit fundamentals.
- Debt metrics that are increasing to somewhat higher levels compared with those of similarly rated cities, with current costs that could increase to just over 20% of total governmental fund revenue following recent issuances, while accounting for the planned contributions from the Northfield School District and Dundas. In our view, pension costs are not a credit pressure.
- For more information on our institutional framework assessment for Minnesota municipalities, see "Institutional Framework Assessment: Minnesota Local Governments," Sept. 10, 2024.
- While Northfield is exposed to localized flooding risks as a result of its location along the Cannon River, we consider its exposure to natural hazards low compared with that of national peers and neutral in our credit analysis. Flooding in 2024 resulted in minimal property impact and no damage to city assets, and the city's climate action plan demonstrates active risk management through the recent elevation of critical infrastructure. In addition, Northfield is addressing manganese-related water quality concerns by continuing to explore planned infrastructure improvements, including a new water treatment plant. A series 2026A bond issuance and planned water rate increases will partly finance this project. While these water quality issues require significant capital investment, they represent a proactive approach to managing long-term environmental and public health risks.

Outlook

The stable outlook reflects our view that Northfield's conservative budgeting practices will support financial stability over the two-year outlook period.

Downside scenario

We could take a negative rating action if the city issues a substantial amount of additional debt that weakens debt metrics beyond expectations.

Upside scenario

We could take a positive rating action if economic metrics improve to levels we consider more commensurate with what we typically see among higher-rated peers and if Northfield 's debt moderate.

Northfield, Minnesota--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.40
Economy	3.5
Financial performance	2
Reserves and liquidity	1
Management	2.00
Debt and liabilities	3.50

Northfield, Minnesota--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	66	--	66	66
County PCPI as % of U.S.	80	--	80	81
Market value ($000s)	2,443,453	2,345,400	2,224,133	1,990,731
Market value per capita ($)	115,519	110,883	105,150	91,284
Top 10 taxpayers as % of taxable value	11.0	10.2	10.2	10.7
County unemployment rate (%)	3.1	3.0	2.8	2.5
Local median household EBI as % of U.S.	112	--	112	109
Local per capita EBI as % of U.S.	89	--	89	86
Local population	21,152	--	21,152	21,808
Financial performance				
Operating fund revenue ($000s)	--	19,028	18,646	16,802
Operating fund expenditures ($000s)	--	18,764	17,360	16,813
Net transfers and other adjustments ($000s)	--	200	(305)	24
Operating result ($000s)	--	464	981	13
Operating result as % of revenue	--	2.4	5.3	0.1
Operating result three-year average %	--	2.6	3.5	3.7
Reserves and liquidity				
Available reserves as % of operating revenue	--	58.3	52.4	54.8
Available reserves ($000s)	--	11,086	9,775	9,214
Debt and liabilities				
Debt service cost as % of revenue	--	12.5	13.0	14.4
Net direct debt per capita ($)	3,789	2,652	2,369	1,299
Net direct debt ($000s)	80,136	56,100	50,102	28,334

Northfield, Minnesota--key credit metrics

	Most recent	2024	2023	2022
Direct debt 10-year amortization (%)	51	64	--	--
Pension and OPEB cost as % of revenue	--	4	4	5
NPLs per capita ($)	--	284	2,236	2,996
Combined NPLs ($000s)	--	6,011	47,297	65,330

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$3.400 mil GO str reconstruction bnds ser 2026B dtd 08/13/2026 due 02/01/2042	
Long Term Rating	AA/Stable

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.