



## Rating\_Action: Moody's upgrades City of Long Prairie, MN's GOs to A2 and assigns A2 issuer rating

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New York, January 12, 2023 – Moody's Investors Service has upgraded the City of Long Prairie, MN's general obligation unlimited tax (GOULT) rating to A2 from A3 and assigned an A2 issuer rating to the city. The issuer rating reflects the city's credit quality and ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. This action concludes a review that was initiated on November 3, 2022, in conjunction with the release of the US Cities and Counties methodology. The city has about \$25 million in outstanding debt as of June 30, 2022.

### RATINGS RATIONALE

The A2 issuer rating balances the city's strong reserves and moderate leverage against its relatively limited local economy and modest scale of operations. Given its location in central Minnesota, the local economy will likely remain limited and concentrated in manufacturing and agriculture. Resident incomes and wealth are below comparable rated cities; adjusted median household income is around 82% of the national average and full value per capita is only \$56,347. Economic growth in the city's county (Todd County) has slightly outpaced the nation, however the city's tax base has increased around 6.7% over the last five years. The city's top ten taxpayers make up nearly a third of the property tax base and the two largest entities are some of the city's largest employers.

Long Prairie's financial position continues to improve because of its strong enterprise operations (water, sewer, and liquor) and solid fiscal management. The city's fiscal 2023 (year-end Dec. 31) budget considers projected increases in property tax revenue and state aid and increased expenses because of inflation. The city reports fiscal 2022 ended in line with its budget and was roughly balanced. For fiscal 2021, the city's reserve level was very strong. Available fund balance was equal to 63% of annual revenue across governmental and business type activities.

The city's moderate debt burden ratio is 296.7% of revenue, which is likely to gradually decline because the city has no immediate plans for debt issuance. The city is financing its current infrastructure with the proceeds of recently issued debt, state grants, and with tax increment revenue.

The A2 rating on the GOULT bonds is at the same level as the city's issuer rating because the city has pledged its full faith, credit, and taxing power for repayment of the bonds.

### RATING OUTLOOK

Moody's does not usually assign outlooks to local government credits with this amount of debt.

### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued reduction in leverage burden
- Further bolstering of economic diversification and wealth

## FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Substantial increase in long-term leverage
- Reduction in reserves and/or liquidity

## LEGAL SECURITY

Outstanding GOULT bonds are backed by the city's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. GOULT bonds are additionally secured by statute.

## PROFILE

Long Prairie is located in central Minnesota (Aaa stable) and serves as the county seat of Todd County (Aa2). The city encompasses about 2.8 square miles and provides municipal services like water and sewer to over 3,300 residents.

## METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

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Umar Farooq  
Lead Analyst  
REGIONAL\_MIDWEST  
Moody's Investors Service, Inc.  
100 N Riverside Plaza  
Suite 2220  
Chicago 60606  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

David Strungis  
Additional Contact  
REGIONAL\_MIDWEST  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

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