

RatingsDirect®

Summary:

Hopkins, Minnesota; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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Credit Profile

US\$9.375 mil GO bnds ser 2024A due 02/01/2040

<i>Long Term Rating</i>	AA+/Stable	New
Hopkins GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to Hopkins, Minn.'s \$9.375 million series 2024A general obligation (GO) bonds.
- At the same time, we affirmed our 'AA+' long-term rating on the city's outstanding GO bonds.
- The outlook is stable.

Security

The city's proposed and existing GO debt is secured by the city's full-faith-and-credit pledge and ability to levy unlimited ad valorem property taxes. The city also pledges various other revenues such as tax increment, tax abatement, special assessment, and various enterprise fund revenues, but in each case, we rate to the city's GO pledge. Bond proceeds will be used for various assessable public improvements, street reconstruction, and utility improvement constructions.

Credit overview

Hopkins is in Hennepin County in the Minneapolis-St. Paul-Bloomington metropolitan statistical area (MSA), which we consider to be broad and diverse. Hopkins' proximity to the Twin Cities allows easy access to employment and retail opportunities and will become more easily accessible with the expansion of the Minneapolis light-rail system. Development throughout the city remains strong, including ongoing expansions and redevelopment, as well as steady growth in both multifamily and single-family housing. We view the city's continuous tax base growth, coupled with access to the Twin Cities MSA, as a credit strength.

Hopkins has a track record of healthy finances, ending fiscal 2022 with its fourth consecutive surplus. In fiscal 2023, the city budgeted for break-even operations but projects a surplus of \$582,000 based on preliminary results, driven by higher-than-budgeted interest income and revenues from licenses and permits and charge for services. Applying a portion of its allocation of American Rescue Plan funds, the city reduced large general fund receivables of its Art Center and other underperforming funds to \$800,000 in fiscal 2022 and plans to reduce it further by \$300,000 in fiscal 2023. For fiscal 2024, management budgets for a planned \$400,000 reserve drawdown to reduce its general fund balance ratio to be closer with its policy target of 42% of expenditures and then be sustained at near that level.

Hopkins is backed by a strong management team that implemented robust policies and practices. The city's debt

profile, while somewhat elevated, has been historically managed within its budget and with commensurate increases in tax levies. Even given sizable debt service carrying charges and plans for an additional \$8 million in debt, we expect structural balance will continue.

The rating reflects our opinion of the city's:

- Healthy incomes and wealth levels in a Twins Cities suburb, with consistent valuation growth;
- Solid financial performance, maintenance of very strong reserves that is expected to continue based on budget, and robust liquidity levels;
- Strong financial policies and practices under our Financial Management Assessment (FMA), characterized by quarterly reporting of budget-to-actual results and investment holdings to city council, long-term financial planning and capital plans updated annually, formal investment management, debt management and fund balance policies, and a strong institutional framework score; and
- Weak debt and liability profile, with sizable debt service carrying charges and elevated debt burden partially offset by rapid amortization, combined with manageable other long-term liabilities (pension and other postemployment benefits), further supporting its underlying credit quality.

Environmental, social, and governance

We reviewed the city's environmental, social, and governance (ESG) risks and view them as neutral in our credit rating analysis. We also note the city has policies and practices in place to mitigate cyber security risks.

Outlook

The stable outlook reflects our expectation that Hopkins will see consistent economic growth and maintain structural balance (when excluding the deliberate reserve drawdown) and very strong reserves over the outlook horizon.

Downside scenario

We could take a negative rating action if the city's budgetary performance weakens, leading to a sustained reserve drawdown, or if debt increases substantially beyond current expectations.

Upside scenario

We could take positive rating action if the city experiences material improvements in incomes and market value per capita to levels commensurate with those of 'AAA' peers, or if debt service costs decline, all other credit factors remaining equal.

Hopkins, Minnesota--key credit metrics

	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	111			
Market value per capita (\$)	143,187			
Population		19,830	19,553	19,484
County unemployment rate(%)		2.4	3.8	6.6

Hopkins, Minnesota--key credit metrics (cont.)

	Most recent	Historical information		
		2022	2021	2020
Market value (\$000s)	2,839,400	2,661,044	2,499,240	2,378,345
Ten largest taxpayers % of taxable value	19.3			
Strong budgetary performance				
Operating fund result % of expenditures		3.0	7.8	8.5
Total governmental fund result % of expenditures		(5.4)	6.8	10.9
Very strong budgetary flexibility				
Available reserves % of operating expenditures		47.8	46.0	17.3
Total available reserves (\$000s)		7,919	6,859	2,596
Very strong liquidity				
Total government cash % of governmental fund expenditures		123	141	120
Total government cash % of governmental fund debt service		538	522	496
Very strong management				
Financial Management Assessment	Strong			
Weak debt and long-term liabilities				
Debt service % of governmental fund expenditures		22.9	26.9	24.3
Net direct debt % of governmental fund revenue	215			
Overall net debt % of market value	3.7			
Direct debt 10-year amortization (%)	73			
Required pension contribution % of governmental fund expenditures		3.4		
OPEB actual contribution % of governmental fund expenditures		0.4		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2023 Update Of Institutional Framework For U.S. Local Governments
- U.S. Local Governments Credit Brief: Minnesota Counties And Municipalities Means And Medians, Oct 11, 2023

Ratings Detail (As Of May 14, 2024)

Hopkins GO bnds		
Long Term Rating	AA+/Stable	Affirmed
Hopkins GO bnds ser 2017B dtd 07/13/2017 due 02/01/2033		
Long Term Rating	AA+/Stable	Affirmed
Hopkins GO bnds ser 2021A dtd 04/06/2021 due 02/01/2036		
Long Term Rating	AA+/Stable	Affirmed

Ratings Detail (As Of May 14, 2024) (cont.)

Hopkins GO imp bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Hopkins GO tax abatement bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Hopkins GO tax increment rev rfdg bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Hopkins GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
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