

Benton County, Minnesota

Credit Profile

US\$3.945 mil GO jail rfdg bnds ser 2009A dtd 11/15/2009 due 02/01/2016

Long Term Rating

AA/Stable

New

Primary Credit Analysts:

Sean Hughes
Chicago
(312) 233-7021
sean_hughes@
standardandpoors.com

Secondary Credit Analysts:

Steffanie Dyer
Chicago
(1) 312-233-7007
steffanie_dyer@
standardandpoors.com

Rationale

The 'AA' long-term rating assigned to Benton County, Minn.'s series 2009A general obligation (GO) jail refunding bonds reflects the following credit qualities, in Standard & Poor's Ratings Services' opinion:

- Participation in the deep and diverse St. Cloud economic base,
- Good management practices, and
- Healthy financial profile as represented by strong financial reserves.

The county will use the series 2009A bond proceeds to refund part of its series 2001A GO jail refunding bonds. The county's full faith and credit ad valorem tax pledge secures the bonds.

Benton County is located in west central Minnesota, approximately 70 miles northwest of the Minneapolis-St. Paul metropolitan area and 15 miles east of the city of St. Cloud. The county's 2008 population has been estimated at 39,878, a 16.5% increase since the 2000 U.S. Census. Many county residents commute to nearby St. Cloud, with employment in the county concentrated largely in the education and government sectors. Income levels in the county are good, in our opinion, with median household and per capita effective buying incomes at 95% and 88% of national levels, respectively. For July 2009, the county unemployment rate was 7.6%, lower than the state and national averages of 7.8% and 9.7%, respectively.

Growth in Benton County has slowed in the past few years, but the county has a significant amount of land that remains available for development. The tax base grew 36% since 2004, ending with taxable market value of \$2.88 billion in 2008. Indicated market value per capita was \$83,687 in 2008, which we consider to be very strong. In 2008, the tax base was very

diverse, with the 10 leading taxpayers making up 6.7% of assessed value. Property taxes made up 68% of total general fund revenues for fiscal 2008.

The past three years have seen solid contributions to the county's general fund reserves, with the unreserved fund balance growing to \$7.3 million as of Dec. 31, 2008, which equates to a very strong 54% of general fund expenditures, from slightly more than \$5.0 million in 2005. For fiscal 2009, management expects to at least break even, with cuts in capital purchases offsetting a \$200,000 reduction in county program aid from the state. The fiscal pressures resulting from cuts to county program aid by the state and a slowdown in development have resulted in a fiscal imbalance beginning in 2010. Management has expressed that the county plans to implement gradual cuts to expenditures while drawing down its operating fund balance, including the general fund, road and bridge fund, and human services fund reserves to 35% over the next four years, beginning with a \$288,000 draw from the general fund and an additional \$245,000 from reserves in the human services fund. Management expects that by following this plan it will attain balanced operations by 2013.

Benton County's financial management policies and practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA) methodology. An FMA of good indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. The county maintains a rolling five-year capital improvement plan that matches sources to uses and has a formal fund balance policy of maintaining reserves of between 35% and 50% of expenses in the operating funds.

The county's overall debt burden is moderate, in our view, at \$4,936 per capita and 5.9% of market value. The debt matures at an above-average rate, with 83% scheduled to retire in 10 years. The county's carrying charges are moderate, in the 8%-9% range. The county has no additional debt plans.

Outlook

The stable outlook reflects Standard & Poor's expectation that management will continue its proactive steps in adjusting the budget to respond to expected drops in revenue, including state aid. Failure to maintain fund balances in line with the county's stated fiscal policies could place downward pressure on the rating. The county's participation in the St. Cloud economic base provides further stability to the rating.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006