

Research Update:

# Buffalo, MN Series 2025B GO Bonds Assigned 'AA' Rating; Series 2025 Tax Abatement Bonds Assigned 'SP-1+' Rating

November 12, 2025

## Overview

- S&P Global Ratings assigned its 'AA' long-term rating to the city of Buffalo, Minn.'s approximately \$4.5 million series 2025B general obligation (GO) bonds and its 'SP-1+' short-term rating to the city's approximately \$4.0 million series 2025C GO temporary tax abatement bonds.
- The outlook, where applicable, is stable.

## Rationale

### Security

Both series of bonds are secured by the city's unlimited-tax GO pledge. The short-term rating on the 2025C bonds reflects our criteria for evaluating and rating bond anticipation notes, including the long-term GO rating and the market risk profile, which we consider low. Buffalo maintains a very strong capacity to pay principal and interest when the notes come due. We view the city's market risk profile as low because it has strong legal authority to issue long-term debt to take out the bonds and is a frequent debt issuer that regularly provides disclosure to market participants.

Series 2025B proceeds will be used for various city facility renovation and street reconstruction projects, and the series 2025C bonds will provide continued interim financing for a fiber installation project.

### Credit highlights

Buffalo's stable operations, which have led to healthy reserves; growing tax base; and above-average management practices support the 'AA' long-term rating. Located approximately 35 miles northwest of the Twin Cities, Buffalo is a primarily residential community that has seen strong tax base growth, with valuations increasing by over 40% over the last five years but which management expects to stabilize somewhat in future years. General fund performance remains

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strong, with a better-than-budgeted surplus in fiscal 2024, driven by some minor one-time revenues and various expenses that came in under budget. The fiscal 2025 general fund budget is balanced, and while officials expect to outperform this forecast, they plan to use some of these expenditure savings for capital projects and post an essentially breakeven result, with no change to fund balance. The rating is further supported by Buffalo's solid management practices, but is somewhat limited by its elevated debt-and-liability profile, which is characterized by high net direct per capita and moderate annual costs for debt and liabilities.

Credit fundamentals supporting the 'AA' GO rating include the following:

- Per capita gross county product and per capita personal income at 50.9% and 93.8% of the national level, respectively. However, the city benefits from access to the Twin Cities, as demonstrated by robust increases in taxable net tax capacity in recent years.
- Mostly positive financial performance, with surpluses in two out of the last three fiscal years, and with balanced operations projected for fiscal years 2025 and 2026 (year-end Dec. 31). This performance has led to a very healthy reserve position, which has grown to nearly 45% of operating revenue.
- Moderate costs for debt and liabilities but net direct per capita that we consider elevated. We anticipate current fixed costs will worsen in the near term, with higher expected costs as additional debt is layered in. The city's amortization, however, is rapid, which we view positively. We expect the debt burden will remain relatively high, as the city plans to issue approximately \$18.9 million in additional debt in the next two years. The city participates in two generally well-funded, multiple-employer defined pension plans that we do not view as a credit weakness given relatively modest contribution levels as a percentage of budget.
- Above-average management practices, with a robust budget preparation process coupled with quarterly budget-to-actual reports that are provided to the council; five-year long-term financial forecasting and ten-year long-term capital planning, with both plans updated annually; a fund balance policy target for the city to maintain no less than 50% of the following years' budgeted expenditures; and an investment policy, with quarterly investment updates.
- 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**

We consider the city's environmental, social, and governance (ESG) factors to be neutral. While we believe parts of the city are somewhat exposed to inland flood risk, we do not consider flooding or environmental risk elevated compared with that of other local governments. In addition, we consider the city's rapid population growth a social opportunity because demographic changes are contributing to tax base and property tax revenue growth. However, we note that growth pressure could also entail higher capital requirements and levels of service that somewhat temper the credit-related benefit.

## **Outlook**

The stable outlook reflects our expectation that the city will maintain at least balanced operations and solid available reserves, while continuing to demonstrate economic growth.

## Downside scenario

We could lower the rating if the city's debt profile weakens and becomes a source of fiscal stress, or if financial operations wane from historical levels, causing its reserves to deteriorate materially.

## Upside scenario

We could raise the rating if the city's economic metrics, particularly its incomes, improve significantly, and if the city lessens its overall debt burden, while sustaining steady operations and high reserves.

### Buffalo, Minnesota--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.29
Economy	4.0
Financial performance	1
Reserves and liquidity	1
Management	1.95
Debt and liabilities	3.50

### Buffalo, Minnesota--Key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	51	--	51	53
County PCPI % of U.S.	93	--	93	94
Market value (\$000s)	2,349,975	2,252,224	2,033,159	1,798,179
Market value per capita (\$)	136,215	130,549	120,369	101,955
Top 10 taxpayers % of taxable value	7.9	7.9	8.6	--
County unemployment rate (%)	3.2	3.0	2.7	2.3
Local median household EBI % of U.S.	108	108	113	115
Local per capita EBI % of U.S.	94	94	100	100
Local population	17,252	17,252	16,891	17,637
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	12,800	11,130	11,446
Operating fund expenditures (\$000s)	--	12,449	12,157	10,896
Net transfers and other adjustments (\$000s)	--	831	1,283	(713)
Operating result (\$000s)	--	1,182	256	(163)
Operating result % of revenues	--	9.2	2.3	(1.4)
Operating result three-year average %	--	3.4	0.9	0.9
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	44.1	41.5	35.7
Available reserves (\$000s)	--	5,645	4,615	4,090
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	17.0	16.5	25.2
Net direct debt per capita (\$)	4,455	4,194	4,258	3,989

Buffalo, Minnesota--Key credit metrics

	Most recent	2024	2023	2022
Net direct debt (\$000s)	76,861	72,361	71,916	70,351
Direct debt 10-year amortization (%)	85	85	--	--
Pension and OPEB cost % of revenues	--	3.0	3.0	4.0
NPLs per capita (\$)	--	266	386	664
Combined NPLs (\$000s)	--	4,590	6,520	11,713

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\$4.015 mil GO temp tax abatement bnds ser 2025C due 12/01/2028	
Short Term Rating	SP-1+
US\$4.45 mil GO bnds ser 2025B due 02/01/2041	
Long Term Rating	AA/Stable

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