

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's affirms Minneapolis, MN's Aa1 GO rating; outlook revised to negative

Global Credit Research - 13 Nov 2017

New York, November 13, 2017 -- Summary Rating Rationale

Moody's Investors Service affirms Minneapolis, MN's Aa1 general obligation unlimited tax (GOULT) rating. The city has \$679 million of outstanding general obligation (GO) debt. The outlook has been revised to negative.

The Aa1 rating reflects the strong regional economy, as demonstrated by tax base valuation growth and low unemployment rates; well-managed financial operations with healthy operating reserves and substantial alternate liquidity; and a moderate debt burden. The negative outlook reflects outsized and growing unfunded pension liabilities.

Rating Outlook

The negative outlook reflects Minneapolis' elevated and growing unfunded pension liabilities. Absent state legislative action that materially reduces accumulated unfunded liabilities, the city's pension costs and leverage will remain very high.

Factors that Could Lead to an Upgrade

- Material reduction in leverage related to debt and unfunded pension liabilities
- Moderation of fixed costs related to debt and pensions

Factors that Could Lead to a Downgrade

- Weakening of Minneapolis' economy or tax base valuations
- Declines in operating reserves or liquidity
- Further growth in debt or unfunded pension liabilities

Legal Security

Minneapolis' GOULT bonds are secured by the city's full faith and credit pledge and an ability to levy an authorized and dedicated property tax unlimited as to rate or amount for debt service. GO debt has a statutory lien.

Use of Proceeds

Not applicable.

Obligor Profile

The City of Minneapolis is located in Hennepin County (Aaa stable), in southeastern Minnesota (Aa1 stable). It is directly west of St. Paul, with the Mississippi River creating the border between the two cities. The city's population totals approximately 400,000 residents.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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