

## **FITCH RATES BLOOMINGTON, MN'S GOS 'AAA': OUTLOOK STABLE**

Fitch Ratings-New York-30 September 2010: Fitch Ratings has assigned the following ratings to Bloomington, MN's (the city) general obligation (GO) bonds:

- Approximately \$6.27 million GO Permanent Improvement Revolving Fund (PIR) bonds of 2010, series 44 'AAA';
- Approximately \$5.92 million GO Capital Improvement Plan bonds, series 2010A 'AAA';
- Approximately \$2.24 million taxable GO pension bonds, series 2010B 'AAA'.

The series 44 and 2010A bonds are scheduled to sell competitively on Oct. 4, 2010. Series 2010B bonds are scheduled to sell via negotiation within 30 days of Oct. 4, 2010.

Proceeds from the series 44 bonds will be used for street improvements as part of their regular issuance plan. Proceeds from the series 2010A bonds will be used to acquire certain facilities currently leased to the city by the Port Authority of the City of Bloomington. In order to do this, the city will transfer proceeds from the 2010A bonds to the Authority to apply towards the redemption and prepayment of its 2001 lease revenue bonds. Proceeds from the series 2010B bonds will be used to fully fund the city's 2010 pension obligation to the Fire Relief.

Additionally, the city may issue series 44 bonds as taxable Build America Bonds depending on market conditions.

Fitch also affirms the following ratings:

- \$40.7 million GO bonds, series 39, 40, 41, 42, 43, 2005A, and 2007A at 'AAA'.

The Rating Outlook is Stable.

### **RATING RATIONALE:**

- The city benefits from strong financial practices reflected by its sophisticated, proactive financial planning, above-average reserves, and consistent financial operations.
- The local economy, anchored by the Mall of America (MOA), is above average with below average unemployment levels and high wealth levels.
- While the tax base has contracted, the city maintains ample flexibility under its levy cap to offset declines.
- Debt levels are affordable and future capital needs are manageable.

### **KEY RATING DRIVERS:**

- Management's ability to maintain strong reserves by addressing ongoing spending pressures and volatile, economically sensitive revenues.

### **SECURITY:**

The bonds are unlimited tax general obligations of the city for which the city pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the city pledges special assessments to benefited properties on the series 44 bonds, as with other PIR issues.

### **CREDIT SUMMARY:**

Located in Hennepin County (GO bonds rated 'AAA' with a Stable Outlook by Fitch), approximately 11 miles from Minneapolis, Bloomington has a 2009 estimated population of 82,960 residents. In addition to participating in the expansive Minneapolis metropolitan economy, the city's own economic base is broad and includes a mix of industry, including large technology, healthcare, and manufacturing concerns. Unemployment for July 2010 decreased to 6.9% from 8% and in line

with the state average of 6.8% and well below the nation's of 9.7%. The Mall of America (MOA), the largest shopping center and entertainment complex in the United States, is located within the city and comprises 8.5% of the city's total assessed valuation for fiscal 2010. Wealth indicators and taxable market values per capita are well above average.

The combination of historically strong economic growth and manageable budgetary increases has contributed to a strong financial position. For the close of fiscal 2009, the city posted a \$207,000 general fund surplus and the city's unreserved general fund balance was a substantial \$19.7 million, representing 36.5% of expenditures and transfers out. City officials project another operating surplus for fiscal 2010, primarily through cost-savings measures and diligent budget monitoring and expect to achieve the goal of annually maintaining one-half of property tax collections for working capital. Property taxes accounted for approximately two-thirds of general fund operating support in fiscal 2009. In order to offset revenue declines, the city increased its property tax levy by about 3% or \$1.3 million for fiscal 2010. Overall, the measured pace of budgetary expansion combined with the discretionary nature of significant portions of the budget and maintenance of ample reserves provides the city with considerable financial flexibility.

Low direct debt ratios are a product of high internal funding for capital projects. The direct debt burden is just 0.6% of market value or \$834 on a per capita basis. Overall debt levels are more moderate at 2.2% of market value or \$3,030 on a per capita basis, reflecting the relatively sizable issuances by Hennepin County and Bloomington School District. Payout is well above average with approximately 83% of debt retired within 10 years. The city's 2010-2014 capital improvement plan (CIP) totals \$429 million, with the largest component for road and street improvements. The CIP is reportedly flexible, and is expected to have a limited effect on property tax-supported debt issuance.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'

In addition to the sources of information identified in the Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, LoanPerformance, Inc., and IHS Global Insight.

Applicable Criteria and Related Research:

'Tax-Supported Rating Criteria', dated Aug. 16, 2010.

'U.S. Local Government Tax-Supported Rating Criteria', dated Dec. 21, 2009.

For information on Build America Bonds, visit [www.fitchratings.com/BABs](http://www.fitchratings.com/BABs).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=548605](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=548605)

U.S. Local Government Tax-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=492470](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=492470)

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