

**Bloomington, Minnesota**

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Credit Profile		
US\$6.265 mil taxable GO perm imp revolving fd bnds of 2010 (Ser 44 Build America Bonds - Direct Pay) due 02/01/2012-2021		
Long Term Rating	AAA/Stable	New
US\$5.92 mil GO cap imp plan bnds ser 2010A due 02/01/2012-2021		
Long Term Rating	AAA/Stable	New
US\$2.24 mil taxable GO pension bnds ser 2010B dtd 11/04/2010 due 02/01/2012-2016		
Long Term Rating	AAA/Stable	New
<b>Bloomington GO</b>		
Long Term Rating	AAA/Stable	Affirmed

**Rationale**

The 'AAA' long-term rating assigned to the city of Bloomington, Minn.'s general obligation (GO) permanent improvement revolving fund bonds of 2010 series 44, GO capital improvement plan bonds series 2010A, and GO pension bonds series 2010B reflects Standard & Poor's Rating Services' view of the city's:

- Strong economic base, anchored by regional retail trade and service sectors;
- Participation in the diverse and vibrant Minneapolis-St. Paul (Twin Cities) metropolitan area economy;
- Strong income and extremely strong wealth levels;
- Very strong reserve levels, bolstered by strong management practices; and
- Low to moderate debt burden.

The city's full faith and credit pledge and power to levy direct general ad valorem taxes secure all three bond issues. However, the intended source of payment on a portion of the series 2010

bonds is from special assessments. The city will use series 2010 bond proceeds to fund various capital improvements, including its road construction. The city may issue the bonds as taxable obligations that it will elect to designate as qualified Build America bonds in order for it to receive a 35% interest subsidy from the federal government. It is our understanding that the city plans to levy net of the interest subsidy, but the city has sufficient liquidity to make the interest payment should it not be received before the debt service payment date. The city will use the series 2010A bond proceeds to refund the series 2001 lease revenue bonds issued for the new municipal campus project in order to acquire the facilities (which the city is currently leasing) from the port authority for interest cost savings. The city will use the series 2010B bond proceeds to fund a portion of its required contribution to the single-employer public employee retirement plan operated by the Bloomington Fire Department Relief Association for fiscal 2010.

Bloomington encompasses 38.3 square miles and is located in Hennepin County (AAA/Stable), approximately 13 miles south of Minneapolis (AAA/Stable) and 17 miles southwest of St. Paul (AAA/Stable). The city is the fifth largest in the state and had an estimated 2009 population of 84,701. Residents have access to employment throughout the Twin Cities metropolitan area. Within the city, thousands of people work at the Mall of America and in the city's hospitality industry, in addition to numerous other employers. The city's 2009 unemployment rate of 7.6% was below both the state (8.0%) and national (9.3%) averages. The city's rate through the first seven months of 2010 was 6.9%.

Due to the downturn in the economy, the city has seen decreases in its tax base the past two years of less than 0.05% (2009) and 5.7% (2010) that brought the taxable market value to \$11.1 billion, a little higher than the value in 2007. City officials project another decrease for 2011 and possibly a continuation in 2012, but not as much. The city's indicated market value, which is a more accurate representation of market prices, was at \$11.6 billion in 2010, equating to an extremely strong \$136,840 per capita. Income, as measured by the city's 2009 median household effective buying income, was strong at 106.7% and 116.4% of the state and national levels, respectively.

Standard & Poor's Ratings Services considers the 10 leading taxpayers in Bloomington diverse, at 20.1% of the city's total net tax capacity of \$150.2 million. The Mall of America does account for 8.5% of the tax base, but the mall's concentration has decreased over time and most of the mall's taxable value is in a tax increment district and is excluded from the general property tax levy.

Bloomington's financial operations remain strong. The city added \$207,140 to the ending general fund balance in fiscal 2009 (Dec. 31), bringing the total to \$19.9 million (unreserved portion was \$19.7 million), or what we consider a very strong 37.4% of expenditures (unreserved, 36.9%). Property taxes made up more than half of general fund revenue, at 65%, in fiscal 2009. The balance primarily came from lodging and admissions taxes (11%), business licenses (7%), fiscal disparities (5%), program income (5%), intergovernmental revenue (4%), and fines and forfeitures (2%). The city is projecting ending fiscal 2010 with an increase of at least \$1 million in the general fund balance after transfers as actual performance on both the revenue and expenditure sides is outperforming the budget. The city has not received local government aid or market value homestead credits from the state for a number of years and as such does not rely on this more volatile revenue stream given that the state has unallotted aid in the past few years.

Bloomington's management practices are considered "strong" under Standard & Poor's Financial Management Assessment (FMA). An FMA of strong indicates that practices are strong, well embedded,

and likely sustainable. Key practices include regular reporting to the city council on budget performance and investments. The city performs multiyear financial forecasting. The formal fund balance policy calls for striving to maintain an unreserved general fund balance of 50% of the subsequent year's tax levy (general fund portion) formulated to aid with cash flow. The city maintains a multiyear capital plan that identifies priorities along with estimated costs and sources of funding. In addition, the city has formal debt and investment management policies.

Overall net debt ratios (excluding debt paid from self-supporting enterprise fund revenues) are moderate at \$2,989 per capita, but low at 2.2% of market value. Overlapping debt makes up 72.6% of the overall net debt burden, and 18.5% of net direct debt is paid solely from property taxes, with the balance supported by tax increments, special assessments, and other sources. Debt carrying charges are moderate at 10.1% of total governmental funds expenditures less capital outlay in fiscal 2009. Amortization of direct debt is rapid, with 78% of principal retired over 10 years. Future debt plans of the city for the remainder of 2010 include a possible issuance up to \$15 million for a parking structure that will be located at a new hotel to be built adjacent to the Mall of America. The city may issue \$6 million of bonds for roads in 2011.

### **Outlook**

The stable outlook reflects our expectation that the city's strong management and economic characteristics will continue to provide a solid base for its strong financial operations.

### **Related Criteria And Research**

USPF Criteria: GO Debt, Oct. 12, 2006

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