Research Update:

Bloomington, MN Series 2025B GO Revenue Bonds Assigned 'AAA' Rating; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AAA' rating to Bloomington, Minn.'s anticipated $30.8 million series 2025B general obligation (GO) sales tax revenue bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the city's GO debt outstanding.
- The outlook is stable.
- The rating reflects the application of our "Methodology For Rating U.S. Governments," Sept. 9, 2024.

Rationale

Security

The city's full-faith-and-credit GO pledge, including its unlimited ad valorem taxing powers, secures the bonds. The series 2025B bonds are also secured by a subordinate-lien pledge of the city's 0.5% sales-and-use tax. The rating on the series 2025B bonds reflects the stronger of the two pledges, the GO pledge. Much of Bloomington's existing GO debt is secured by or payable from other sources, including revenue from tax increment, utilities, and special assessments, but we rate those bonds to the city's GO pledge.

The city will apply series 2025B bond proceeds, along with the series 2025A bonds, to fund construction costs of a new community health and wellness center. The issuance is one of four planned to fund a total of $155 million in project costs authorized to be funded by the city's 0.5% local sales-and-use tax, as approved by voters. Collections began April 1, 2024 and the tax will sunset after 20 years or once all authorized project costs (including related debt service) have been paid, whichever comes sooner. There is one additional issuance planned after the series 2024B (previously issued), series 2025A, and series 2025B bonds, a $20 million issuance the city plans to pursue in 2026 for its Nine Mile Creek Corridor project. For more on the series 2025A sales tax revenue bonds, see our report, July 3, 2025, on RatingsDirect.

Credit highlights

Bloomington's credit strengths include its strong and stable financial performance, available reserves we expect to be consistently maintained at very strong levels, and robust and prudent approach to financial management. The city is home to the Mall of America, which, as the anchor to the local economy, may expose the city's economy to somewhat greater volatility and cyclicality than many peer 'AAA' municipalities, but which also drives extremely strong tax collections. Among other benefits, far-above-average per capita retail sales highlight the city's ability to, via its new local sales tax, fund a large portion of its capital improvement plan with sales taxes rather than relying solely on local property taxpayers, for example.

The city has posted general fund surpluses every year since at least fiscal 2006, with particularly strong results the past four years. The city has been successful in maximizing available grants and intergovernmental aid, as well as in passing fairly large levy increases to ensure revenues at least keep pace with rising expenditures as the city grows and inflationary pressures drive up costs. The city's active approach to financial management and planning is highlighted by its robust budgeting process, with monthly reports to council and annually updated five-year operating forecasts and 10-year capital plans.

With up to $114.1 million in additional debt plans over the next two to three years, the city's leverage is rising. However, the new sales tax and continued significant property tax levy increases, along with continued population and tax base growth, limit potential credit pressure associated with the rising debt load. While we expect broader economic conditions may soften and growth slow relative to recent years, we believe the city is well positioned to navigate this (see: "Economic Outlook U.S. Q3 2025: Policy Uncertainty Limits Growth", June 24, 2025).

Key credit factors include the city's:

- Robust and growing economy anchored by the Mall of America, with a favorable location adjacent to the Minneapolis-St. Paul International Airport and within the Minneapolis-St. Paul metropolitan area. Local economic metrics are strong and the tax base, while somewhat more exposed to volatility and cyclicality given it is skewed towards commercial properties, has shown extremely strong growth in recent years.

- Consistently positive general fund performance, supported by active and forward-looking financial planning. A 9.2% levy increase, conservative budget assumptions, and outperforming year-to-date interest income will likely support another surplus for fiscal 2025. We expect available reserves to remain very strong both nominally and relative to revenues, supported by the city's commitment to its fund balance policy. The city takes proactive measures to mitigate cyber security risks.

- Comprehensive and prudent approach to financial management, with practices including monthly budget-to-actual reporting to council, annually updated five-year operating forecast and 10-year capital plan, and formal and detailed debt, investment, and reserve policies, the latter of which sets a minimum required general fund balance of 35% to 40% of budgeted expenditures.

- Rising debt burden as the city proceeds with plans to issue around $114 million in additional debt over the next few years. However, the city's rising revenue and growing tax base somewhat mitigate the debt additions, and we note that most of its debt issuances have dedicated repayment sources beyond property taxes.

- Pension obligations are well funded, with limited pressure as pension and other postemployment benefits obligations are small on a per capita basis and annual costs are manageable.
- 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 have analyzed the city's environmental, social, and governance factors and consider them credit neutral.

Rating above the sovereign

The city's GO bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013, U.S. local governments are considered to have moderate sensitivity to national risk. The institutional framework in the U.S. is predictable for local governments, allowing them significant autonomy, independent treasury management, and no history of government intervention.

Outlook

The stable outlook reflects our expectation that Bloomington will continue to maintain at least balanced general fund operations and available reserves in line with the level stipulated in its fund balance policy. We believe the city's prudent approach to financial management and very strong available reserves position it well to maintain credit quality in the event that economic conditions soften or other unexpected challenges emerge.

Downside scenario

We could lower the rating if the city issues a much larger than anticipated amount of additional debt, leading to debt metrics that are no longer consistent with the current rating. Or, if the city's financial performance and reserves both unexpectedly and materially weaken, we could lower the rating.

Bloomington, Minnesota--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.30
Economy	1.0
Financial performance	1
Reserves and liquidity	1
Management	1.00
Debt and liabilities	2.50

Bloomington, Minnesota--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	181	--	181	183
County PCPI % of U.S.	137	--	137	138
Market value ($000s)	18,734,131	18,650,347	18,302,351	16,271,552
Market value per capita ($)	208,118	207,187	203,321	181,618
Top 10 taxpayers % of taxable value	15.7	18.1	18.5	20.4
County unemployment rate (%)	2.9	2.8	2.5	2.3
Local median household EBI % of U.S.	115	--	115	113
Local per capita EBI % of U.S.	122	--	122	124
Local population	90,017	--	90,017	89,592
Financial performance				
Operating fund revenues ($000s)	--	104,370	96,558	83,192
Operating fund expenditures ($000s)	--	103,501	93,953	83,673
Net transfers and other adjustments ($000s)	--	3,544	3,654	2,813
Operating result ($000s)	--	4,413	6,259	2,332
Operating result % of revenues	--	4.2	6.5	2.8
Operating result three-year average %	--	4.5	4.6	3.6
Reserves and liquidity				
Available reserves % of operating revenues	--	44.5	39.3	46.7
Available reserves ($000s)	--	46,408	37,912	38,830
Debt and liabilities				
Debt service cost % of revenues	--	5.8	6.3	10.4
Net direct debt per capita ($)	1,625	1,337	931	1,079
Net direct debt ($000s)	146,238	120,370	83,820	96,665
Direct debt 10-year amortization (%)	62	68	80	--
Pension and OPEB cost % of revenues	--	6.0	5.0	6.0
NPLs per capita ($)	--	435	604	1,044
Combined NPLs ($000s)	--	39,177	54,363	93,507

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$30.825 mil GO sales tax rev bnds ser 2025B dtd 08/13/2025 due 02/01/2044	
Long Term Rating	AAA/Stable
New Rating	
Pooled	
Bloomington, MN Unlimited Tax General Obligation and Sales Tax Revenues 2nd lien	AAA/Stable
Ratings Affirmed	
Local Government	

Ratings List	
Bloomington, MN Unlimited Tax General Obligation	AAA/Stable
Bloomington, MN Unlimited Tax General Obligation and Bloomington Port Auth, MN Central Station Dist 1-I Tax Increment Revenues	AAA/Stable
Bloomington, MN Unlimited Tax General Obligation and Special Assessments	AAA/Stable
Bloomington, MN Unlimited Tax General Obligation and Suttom Place Condos 1 Tax Increment Revenues	AAA/Stable
Bloomington, MN Unlimited Tax General Obligation and Water System	AAA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.