

RatingsDirect®

Summary:

Bloomington, Minnesota; General Obligation

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Summary:

Bloomington, Minnesota; General Obligation

Credit Profile

US\$6.48 mil GO perm imp revolving fund bnds of 2016 ser 50 due 02/01/2037		
<i>Long Term Rating</i>	AAA/Stable	New
US\$3.88 mil GO permanent imp revolving fund rfdg bnds ser 2016 C due 02/01/2029		
<i>Long Term Rating</i>	AAA/Stable	New
US\$2.055 mil GO tax increment bnds ser 2016A due 02/01/2021		
<i>Long Term Rating</i>	AAA/Stable	New
US\$1.755 mil GO arts cent rfdg bnds ser 2016B due 02/01/2021		
<i>Long Term Rating</i>	AAA/Stable	New
Bloomington GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AAA' long-term rating to Bloomington, Minn.'s series 50 general obligation (GO) permanent improvement revolving fund bonds of 2016, series 2016A taxable GO tax-increment bonds, series 2016B GO arts center refunding bonds, and series 2016C GO permanent improvement revolving fund refunding bonds. At the same time, we affirmed our 'AAA' long-term rating on the city's previously issued GO debt. The outlook is stable.

All series of bonds are secured by the city's unlimited ad valorem tax GO pledge. The series 50 bonds are also payable from special assessments and proceeds will be used to finance various improvement projects. The series 2016A bonds are also payable from certain tax-increment revenue and the Bloomington Housing and Redevelopment Authority (HRA) will pledge receipts from its special benefits levy with proceeds used to pay for land acquisition. The series 2016B bond proceeds will be used to refund the series 2007A GO arts center refunding bonds for interest cost savings. The series 2016C bond are also payable from special assessments and proceeds will be used to refund the series 41 GO permanent improvement revolving fund bonds of 2007 and the series 42 GO permanent improvement revolving fund bonds of 2008 for interest cost savings. Proceeds are secured by the city's unlimited ad valorem tax GO pledge. The rating on the bonds is based on the city's unlimited ad valorem tax GO pledge.

The rating reflects our assessment of the following factors for the city, specifically its:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2015;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 43% of operating expenditures;
- Very strong liquidity, with total government available cash at 133.7% of total governmental fund expenditures and

13.9x governmental debt service, and access to external liquidity we consider strong;

- Strong debt and contingent liability position, with debt service carrying charges at 9.6% of expenditures and net direct debt that is 62.3% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 87.0% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Bloomington's economy very strong. The city, with an estimated population of 86,823, is in Hennepin County approximately 13 miles south of Minneapolis and 17 miles southwest of St. Paul. It is in the Minneapolis-St. Paul-Bloomington MSA, which we consider to be broad and diverse. It has a projected per capita effective buying income of 125% of the national level and per capita market value of \$141,858. Overall, market value grew by 7.5% over the past year to \$12.3 billion in 2016. The county unemployment rate was 3.3% in 2015.

Leading employers in the city include: HealthPartners (2,792 employees), the local school district (1,893), Seagate Technology (1,700), Toro Co. (lawn equipment, 1,020), and Pearson Education (1,018). The city is home to Mall of America, which is its largest taxpayer. Approximately 13,000 people are employed at businesses in the Mall of America. Management anticipates another increase in economic market value for payable 2017.

Very strong management

We view the city's management as very strong, with "strong" financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

The city uses historical trends and outside sources to help make the revenue and expenditure assumptions in its budget. Management provides the council with a report on budget-to-actual performance at the end of the first quarter and then monthly the rest of the fiscal year. The city has a five-year financial forecast for its general fund that it updates annually and shares with the council. It also has a five-year capital improvement plan that includes funding sources and is updated annually. The city has its own investment policy, and its monthly reports to council starting at the end of the first quarter include investment holdings. The city has a debt management policy that has guidelines for amortization and debt on a per capita basis. Its reserve policy requires a minimum fund balance in the general fund of 35% to 40% of the following year's budgeted revenue or expenditures. The level was chosen for cash flow purposes.

Strong budgetary performance

Bloomington's budgetary performance is strong, in our opinion. The city had operating surpluses of 9.2% of expenditures in the general fund and 7.0% across all governmental funds in fiscal 2015. Our assessment accounts for the fact that we expect budgetary results could deteriorate somewhat from 2015 results in the near term.

Our calculations include data adjustments for capital outlay, debt service, and other expenditures supported by bond proceeds. Management anticipates at least break-even general fund results for fiscal years 2016 and 2017. The city also anticipates no major changes in total governmental fund performance in fiscal years 2016 and 2017. Given historical trends and these projections, we do not anticipate the city will consistently report the large general fund surplus it did for fiscal years 2014 and 2015, but we anticipate it will maintain strong budgetary performance.

Very strong budgetary flexibility

Bloomington's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2015 of 43% of operating expenditures, or \$26.7 million. We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

Management anticipates maintaining its reserves in fiscal years 2016 and 2017, and we anticipate the city's budgetary flexibility will remain very strong given at least balanced operations projected in fiscal years 2016 and 2017.

Very strong liquidity

In our opinion, Bloomington's liquidity is very strong, with total government available cash at 133.7% of total governmental fund expenditures and 13.9x governmental debt service in 2015. In our view, the city has strong access to external liquidity if necessary.

Our calculations do not include the small portion of cash, cash equivalents, and investments that were bond proceeds. We anticipate the city will maintain very strong liquidity in fiscal years 2016 and 2017. The city has issued GO bonds regularly during the past several years. At fiscal year-end 2015, its investments primarily were associated with money market funds, Federal Home Loan Bank, municipal bonds, and Federal Home Loan Mortgage Corp. Management reports no contingent liquidity risks from financial instruments with payment provisions that change on the occurrence of certain events.

Strong debt and contingent liability profile

In our view, Bloomington's debt and contingent liability profile is strong. Total governmental fund debt service is 9.6% of total governmental fund expenditures, and net direct debt is 62.3% of total governmental fund revenue. Overall net debt is low at 2.1% of market value, and approximately 87.0% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

The city has no formalized additional debt plans at this time. However, we understand it may issue up to roughly \$13 million in GO bonds in 2017.

Bloomington's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 6.5% of total governmental fund expenditures in 2015. The city made its full annual required pension contribution in 2015.

The city participates in the Public Employees Retirement Assn. of Minnesota and also contributes to the Bloomington Fire Department Relief Assn. It does not provide retirees with OPEBs, aside from exceptions related to certain employees disabled in the line of duty. Retirees, however, can participate in the city's health insurance plan by paying the entire premium cost themselves.

Strong institutional framework

The institutional framework score for Minnesota cities with a population greater than 2,500 is strong.

Bloomington's GO bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "Ratings Above the Sovereign -- Corporate and Government Ratings: Methodology and Assumptions" (published Nov. 19, 2013, on RatingsDirect), U.S. local

governments are considered to have moderate sensitivity to country 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. Bloomington's financial flexibility is demonstrated by its very strong budgetary flexibility and liquidity.

Outlook

The stable outlook reflects our view of the city's consistent financial performance and economy, which is supported by very strong management conditions. We do not anticipate changing the rating within the next two years because we believe the city will maintain very strong budgetary flexibility and liquidity and continue to benefit from its participation in the Minneapolis-St. Paul-Bloomington MSA's broad and diverse economy.

Downside scenario

Significant weakening of the city's budgetary performance and debt and contingent liability profile could put pressure on the rating. However, we view this as unlikely, given the city's recent history of stable results and management's actions to ensure financial stability as evidenced by three years of general fund surpluses. Furthermore, the city has a debt policy that limits direct debt, and its overall debt remains low as a percentage of market value.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Ratings Detail (As Of November 1, 2016)		
Bloomington taxable GO tax increment rfdg bonds ser 2011B due 02/01/2014-2032		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd bnds of 2011 ser 45 due 02/01/2013-2031		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd rfdg bnds ser 2013A dtd 11/15/2013 due 02/01/2015-2027 2029-2030		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd & rfdg bnds of 2014 ser 48 due 02/01/2025		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomington GO perm imp revolv fnd bnds ser 46 dtd 06/15/2012 due 02/01/2014-2023		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomington GO perm imp revolv fnd rfdg bnds ser 2012A dtd 06/15/2012 due 02/01/2015-2025		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fund rfdg bnds ser 2011A due 02/01/2013-2018		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Ratings Detail (As Of November 1, 2016) (cont.)

Bloomington Port Auth, Minnesota

Bloomington, Minnesota

Bloomington Port Auth (Bloomington) taxable GO tax increment bnds (Bloomington) (Lennar Apartments Parking Ramp) ser 2015 due 02/1/2035

Long Term Rating

AAA/Stable

Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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