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Summary:
Bloomington, Minnesota; General Obligation

Primary Credit Analyst:
Jennifer Boyd, Chicago (1) 312-233-7040; jennifer.boyd@standardandpoors.com

Secondary Contact:
Scott Nees, Chicago (1) 312-233-7064; scott.nees@standardandpoors.com

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Credit Profile		
US$7.3 mil taxable GO tax increment bnds (Bloomington) (Lennar Apartments Parking Ramp) ser 2015 due 02/1/2035		
Long Term Rating	AAA/Stable	New
US$5.81 mil GO perm imp revolving fd & rfdg bnds of 2015 ser 49 due 02/01/2036		
Long Term Rating	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Bloomington, Minn.'s general obligation (GO) permanent improvement revolving fund bonds of 2015, series 49, and series 2015 taxable GO tax increment bonds (Lennar Apartments Parking Ramp). At the same time, we affirmed our 'AAA' long-term rating on the city's previously issued GO debt. The outlook is stable.

The series 49 bonds and series 2015 bonds are secured by the city's unlimited-tax GO pledge. The series 49 bonds also are payable from special assessments, and the series 2015 bonds, which are being issued by the Port Authority of the city of Bloomington, also are payable from certain tax increment revenue. The rating on both series of bonds is based on the city's unlimited-tax GO pledge, which we view as the stronger pledge. The city will use the series 49 bond proceeds for various improvement projects and the series 2015 bond proceeds for the construction of a parking ramp on the site of a multifamily rental housing project and for capitalized interest.

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

- 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 results that we expect could deteriorate in the near term relative to fiscal 2014, which closed with an operating surplus in the general fund and balanced operating results at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 39% of operating expenditures;
- Very strong liquidity, with total government available cash of 142.4% of total governmental fund expenditures and 17.1x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges of 8.3% of expenditures, net direct debt that is 67.5% of total governmental fund revenue, low overall net debt at less than 3% of market value, and rapid amortization with 81.2% 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 84,909, is located in Hennepin County in the Minneapolis-St. Paul-Bloomington MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 125% of the national level and per capita market value of $134,990. Overall, the city's market value grew by 10.5% over the past year to $11.5 billion in 2015. The county unemployment rate was 3.7% in 2014.

Bloomington is located approximately 13 miles south of Minneapolis and 17 miles southwest of St. Paul, and its largest taxpayer is Mall of America. Management anticipates another increase in economic market value for payable 2016.

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. The city's 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 surplus operating results in the general fund of 6.2% of expenditures, and balanced results across all governmental funds of negative 0.1% in fiscal 2014. Our assessment accounts for our anticipation that budgetary results could deteriorate somewhat from 2014 results in the near term.

Our calculations include data adjustments for capital outlay, debt service, and other expenses supported by bond proceeds. Management anticipates at least break-even general fund results for fiscal years 2015 and 2016. The city also anticipates no major changes in total governmental fund performance in fiscal years 2015 and 2016. Given historical trends and these projections, we do not anticipate the city will consistently report the large general fund surplus it did for fiscal 2014, but we anticipate the city 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 2014 of 39% of operating expenditures, or $23.4 million. We expect the available fund balance will 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 2015 and 2016, and we anticipate the city's reserves will remain higher than 30% of expenditures during that time frame.

Very strong liquidity

In our opinion, Bloomington's liquidity is very strong, with total government available cash of 142.4% of total governmental fund expenditures and 17.1x governmental debt service in 2014. 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. The cash, cash equivalents, and investments number we used does include the amount in the improvement construction fund that we understand is under a council-imposed restriction that makes the amount unavailable for short-term borrowing. We anticipate the city will maintain very strong liquidity in fiscal years 2015 and 2016. The city has issued GO bonds regularly during the past several years. At fiscal year-end 2014, the city's 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 upon 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 8.3% of total governmental fund expenditures, and net direct debt is 67.5% of total governmental fund revenue. Overall net debt is low at 2.4% of market value and approximately 81.2% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

The city plans to issue about $29.5 million in additional GO debt during the next two years for street projects, a stormwater project, and fire station improvements.

Bloomington's combined pension and other postemployment benefits (OPEB) contributions totaled 7.1% of total governmental fund expenditures in 2014. The city made its full annual required pension contribution in 2014.

The city participates in the Public Employees Retirement Assn. of Minnesota and also contributes to the Bloomington Fire Department Relief Assn. The city 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 the city's financial stability as evidenced by three years of general fund surpluses. Furthermore, the city has a debt policy that limits direct debt, and the city's overall debt remains low as a percentage of market value.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Minnesota Local Governments

Ratings Detail (As Of September 24, 2015)		
Bloomington GO		
Long Term Rating	AAA/Stable	Affirmed
Bloomington taxable GO tax increment rfdg bonds ser 2011B due 02/01/2014-2032		
Long Term Rating	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd bnds		
Long Term Rating	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd & rfdg bnds of 2014 ser 48 due 02/01/2025		
Long Term Rating	AAA/Stable	Affirmed

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