S&P Global
Ratings

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Summary:
Bloomington, Minnesota; General Obligation

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Summary:

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Credit Profile		
US$11.0 mil GO charter bnds (Social Bnds) ser 2024A due 02/01/2035		
Long Term Rating	AAA/Stable	New
Bloomington GO perm imp revolv fnd rfdg bnds ser 2012A dtd 06/15/2012 due 02/01/2015-2025		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to the City of Bloomington, Minn.'s anticipated $11 million series 2024A general obligation (GO) charter bonds (social bonds).
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the city's existing GO debt.
- The outlook is stable.

Security

Bloomington's full faith and credit unlimited ad valorem tax GO pledge secures the bonds. Much of Bloomington's existing GO debt is secured or payable from other sources, including revenue from tax increment, utilities, and special assessments, but we based all ratings on the city's GO pledge.

Bond proceeds will finance improvements to city park amenities, infrastructure, and facilities.

Credit overview

Bloomington's key credit strengths include its very strong and expanding economy, which, coupled with robust financial management practices, has led to steady revenue growth and a strong overall financial profile. The city has seen year-over-year tax base growth supporting its consecutive operating surpluses over the past ten years. In 2023, the general fund reported a modest operating surplus, spurred by expenditure savings and better-than-budgeted revenue, and the fiscal 2024 budget is balanced with a nearly 8% levy increase to fund key priorities such as enhancements to public safety operations. We expect budgetary performance to remain strong as management reports year-to-date actual revenue and expenditures are tracking along budget and projects at least a break-even-to-surplus year-end result, consistent with past years.

Bloomington is home to the Mall of America, a critical generator of the local tourism and hospitality industries. The mall's owners are proceeding with long-stated plans to construct an indoor waterpark that would be connected to the mall in the city's South Loop district. Under the current financing structure, the private developer will finance most of the estimated $373 million project costs, while the city intends to use $85 million in existing tax-increment cash for the waterpark's construction. In addition, Bloomington plans to issue $75 million of tax-increment revenue bonds by 2025 to pay for infrastructure improvements ancillary to the waterpark, notably a 1,720-stall parking structure, in the South Loop. While this plan of finance would increase the city's overall debt levels, the city also expects the new waterpark to spur economic activity in and near the mall, which could boost economic metrics and local revenue.

We view the city's current debt and contingent liability profile as very strong, with about $91 million of total direct debt, making up less than 3% of the total market value, with rapid principal amortization, which we view positively. Although the city has not issued much debt in recent years, it plans to issue nearly $300 million of new debt through 2026, including the $75 million of tax-increment revenue debt mentioned above, about $69 million of GO debt for routine capital improvements and facility upgrades, and $155 million of sales tax revenue debt for projects including a community health and wellness center, all secured by the city's new 0.5% sales tax that went into effect April 2024. While our view of the city's debt and contingent profile will likely weaken based on these plans, we believe other credit strengths, notably Bloomington's continued economic expansion, healthy financial profile, and exceptional management practices, would likely offset future weakening in debt metrics. However, if the city issues debt beyond its current plans, resulting in a debt and contingent liability profile that is materially weaker and no longer aligns with the current rating, our view of Bloomington's credit quality could deteriorate.

The 'AAA' GO rating reflects our view of Bloomington's:

- Growing economy highlighted by the city's optimal location near major transportation routes and the Minneapolis-St. Paul International Airport, supporting several high-technology manufacturing business expansions, continued commercial and hospitality development, and steady demand for multifamily housing;
- Consistently positive operating results supported by steady growth from property and lodging and admission tax revenue, with minimal reliance on state funding, leading to a very strong and well-managed reserve position; the city has a very strong liquidity position with nominally high total available cash levels over $250 million as of fiscal 2023, mitigating contingent risks associated with its comparatively small privately placed loan with an acceleration provision;
- Forward-looking management, with robust long-term planning and comprehensive financial policies including a 10-year capital improvement plan and a five-year financial forecast, as well as detailed policies for city investments and debt management, with a reserve policy minimum general fund balance of 35%-40% of expenditures, paired with a strong institutional framework;
- Currently very strong debt and contingent liability profile, benefiting from a low debt service carrying charge, and while we expect our assessment of the city's debt and contingent liability profile will likely weaken based on Bloomington's plans to issue nearly $300 million of new debt through 2026, we note that most of this future debt would be secured by dedicated tax-increment and sales tax revenue that is not otherwise available to finance general city operations; and
- Pension and other postemployment benefit (OPEB) liabilities that do not present medium-term credit pressures, as required contributions are a modest share of budget. Bloomington participates in two multiple-employer, defined-benefit pension plans that have seen recent improvements in funded status, although plan statutory contributions have regularly fallen short of actuarial recommendations. The city also offers a fully funded single-employer pension plan for paid-on-call firefighters and provides health insurance benefits to eligible retirees under a single-employer, self-insured OPEB plan that it funds on a pay-as-you go basis.

Environmental, social, and governance

We consider Bloomington's environmental, social, and governance (ESG) factors neutral in our credit analysis. In our view, the city also takes proactive measures to mitigate cybersecurity risks.

Outlook

The stable outlook reflects our view that despite Bloomington's plans to substantially increase its debt levels over the next two years, its capital improvement and debt management plans provide a structured approach for future bonding that we do not anticipate will impose outsized pressure on the city's budget operations or tax base. The outlook also reflects our view that the city's consistently strong financial performance, steady economic expansion, and very strong management team will continue to support very strong budgetary flexibility and liquidity positions over the medium term.

Downside scenario

We could take negative rating action with significant weakening of the city's budgetary performance or reserve position, although we view this as unlikely considering Bloomington's very strong financial management practices. Rating pressure could also emerge if future debt issuance causes Bloomington's liabilities to increase disproportionately to the city's budget or tax base, leading to an overall debt and contingent liability profile that we view as no longer commensurate with the current rating.

Rating Above the Sovereign

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), 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.

Bloomington, Minnesota -- Key credit metrics				
	Most recent	**Historical information**		
		2023	**2022**	**2021**
Very strong economy				
Projected per capita EBI % of U.S.	117			
Market value per capita ($)	207,187			
Population		90,017	89,592	88,945
County unemployment rate(%)			2.5	
Market value ($000)	18,650,347	18,302,351	16,271,552	15,441,183
Ten largest taxpayers % of taxable value	15.6			
Strong budgetary performance				
Operating fund result % of expenditures		2.4	2.8	4.6
Total governmental fund result % of expenditures		18.9	5.7	9.6
Very strong budgetary flexibility				
Available reserves % of operating expenditures		40.4	46.4	53.3
Total available reserves ($000)		37,912	38,830	40,441

Bloomington, Minnesota -- Key credit metrics (cont.)				
	Most recent	**Historical information**		
		2023	**2022**	**2021**
Very strong liquidity				
Total government cash % of governmental fund expenditures		203	204	230
Total government cash % of governmental fund debt service		2,704	2,195	2,507
Very strong management				
Financial Management Assessment	Strong			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		7.5	9.3	9.2
Net direct debt % of governmental fund revenue	55			
Overall net debt % of market value	1.7			
Direct debt 10-year amortization (%)	85			
Required pension contribution % of governmental fund expenditures		3.9		
OPEB actual contribution % of governmental fund expenditures		0.0		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of July 23, 2024)		
Bloomington go charter bnds		
Long Term Rating	AAA/Stable	Affirmed
Bloomington go wtr util bnds ser 2017B due 02/01/2027		
Long Term Rating	AAA/Stable	Affirmed
Bloomington taxable GO hsg imp bnds		
Long Term Rating	AAA/Stable	Affirmed
Bloomington GO arts cent rfdg bnds		
Long Term Rating	AAA/Stable	Affirmed
Bloomington GO charter bnds		
Long Term Rating	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd bnds of 2011 ser 45 due 02/01/2013-2031		
Long Term Rating	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd bnds of 2022 ser 56 dtd 09/08/2022 due 02/01/2034		
Long Term Rating	AAA/Stable	Affirmed
Bloomington GO perm imp revolving fd bnds ser 2021-55 due 02/01/2032		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of July 23, 2024) (cont.)		
Bloomington GO perm imp revolving fd rfdg bnds ser 2013A dtd 11/15/2013 due 02/01/2015-2027 2029-2030		
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
Bloomington Port Authority, 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