

Credit Rating Interview

October 9, 2024

City of Bloomington, MN



Agenda

City Update

- Financial Update
- Forward Capital Plan

New Local Option Sales Tax

- History of Economic Activity Supporting the Tax
- Sales Tax Revenue Bonds 2024
- Sales Tax Plan of Finance

Summary

Timing/Next Steps

City of Bloomington Update



2024 Year to Date (General Finance)

General Fund 2024 Revenue Over Expenditures as of 8-31-24 is \$1.83M resulting in a Working Capital Balance of \$52.9M. This is \$2.97M above the Working Capital Goal.

Intergovernmental Revenue Consists of \$6.2M Staffing for Adequate Fire and Emergency Response Grant (SAFER) for 2023-2026 with an additional SAFER grant recently awarded of \$6.9M for 2025-2028.

Liquor, Lodging & Admissions Taxes Collected through 7-31-24 are on track to be above budget for the year at 63% of the 2024 budget.

Local Affordable Housing Aid Revenue is a new source of Revenue in 2024 with \$567k to be Received.

General Fund Expenditures for 2024 as of 8-31-24 are Lower than Anticipated at 58% of the Budget.

Continued high interest rates have Resulted in the City's Investments Positive Performance.

The Benefits Accrual fund provided Interfund Loans to the Ice Garden Renovation and Community Health and Wellness Center projects before the Bond Issuances occur.



2025 Budget Update (General Finance)

On September 9, 2024, the City Council approved a preliminary 2025 tax levy of \$89,739,962, reflecting an 11.50% increase over the 2024 tax levy

The 2025 budget supports the City's key strategic priorities, including building a Connected, Welcoming Community, fostering a Healthy Community, and promoting Equitable Economic Growth.

Staff continues to actively engage the community on the budget and City spending through numerous in-person budget tables at City events, as well as online engagement opportunities.

Parks, Arts, Recreation, and Public Safety consistently rank as top priorities for City spending and account for 9.28% of the overall 11.50% tax levy increase.

During October and November, departments will provide in-depth budget presentations at City Council meetings to help finalize the 2025 budget request.

The final 2025 tax levy and budget will be established on December 16, 2024, following the Truth in Taxation public hearing.



Economic Developments

- TDKA relocating headquarters to Bloomington Q1 2025
 - Brings 300 employees
- GN ReSound headquarters leaving Bloomington Q1 2025
 - 550 employees leaving Bloomington
- Polar Semiconductor
 - 160 construction and manufacturing jobs coming to Bloomington
 - \$123M federal funding
 - \$75M state funding, Minnesota Forward Fund
- Wilderness Inquiry 2025
 - 120 full and part time staff coming to Bloomington





Mall of America/Waterpark Update

- Mall of America continues to pursue the construction of a waterpark connected to their main retail building
- In spring of 2024 the City of Bloomington approved:
 - \$85M in spending plan TIF to be used a direct investment in the project
 - \$75M in regular TIF for the construction of public improvements including a parking ramp
- MOA is currently seeking private financing to support the remainder of the project cost
- Assuming additional financing is secured, MOA plans to break ground by EOY 2025, with anticipated completion in 2027



Capital Borrowing Plans

2025				
Project	Timing	Size (Project Deposit)	Security	Repayment Source
Fleet Garage	Spring 2025	\$28 million	GO	Property tax
Community Health and Wellness Center	Summer 2025	\$63 million	Sales tax	Sales tax
Community Health and Wellness Center	Summer 2025	\$37 million	GO	Sales tax
PIR bonds	Fall 2025	\$8.5 million	GO	Property tax
2026				
Charter Bonds-Park	Summer 2026	\$12.5 million	GO	Property tax
CIP Bonds Fire Station #2	Summer 2026	\$13.6 million	GO	Property tax
Nine Mile Creek	Summer 2026	\$20 million	GO or sales tax	Sales tax
PIR bonds	Fall 2026	\$8.9 million	GO	Property tax



Local Option Sales Tax



History and Purpose of New Local Option Sales Tax

- On November 7, 2023, Bloomington voters approved a 0.5% local option sales tax to invest \$155 million in the City's Bloomington Forward plan
- The plan supports three major community projects for better health, wellness, athletics and recreation:
 - \$100 million for construction of a community health and wellness center
 - \$35 million for infrastructure repairs and renovation at Bloomington Ice Garden
 - \$20 million for improvements to the Nine Mile Creek corridor and Moir/Central parks
- The 0.5% sales and use tax took effect on April 1, 2024
- The tax will be in place for up to 20 years or until funding obligations are fulfilled, whichever comes first

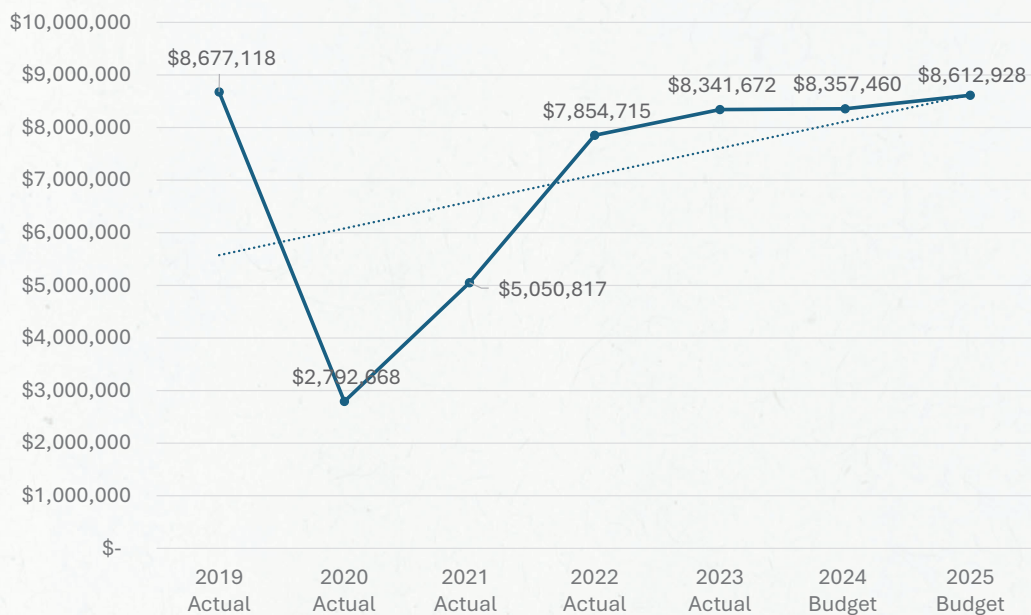


Taxable Sales History

Year	Taxable Sales
2014	2,902,686,681
2015	3,048,068,534
2016	3,219,797,673
2017	3,189,147,657
2018	3,128,805,866
2019	3,092,905,260
2020	1,990,476,616
2021	2,485,633,465
2022	2,885,152,514

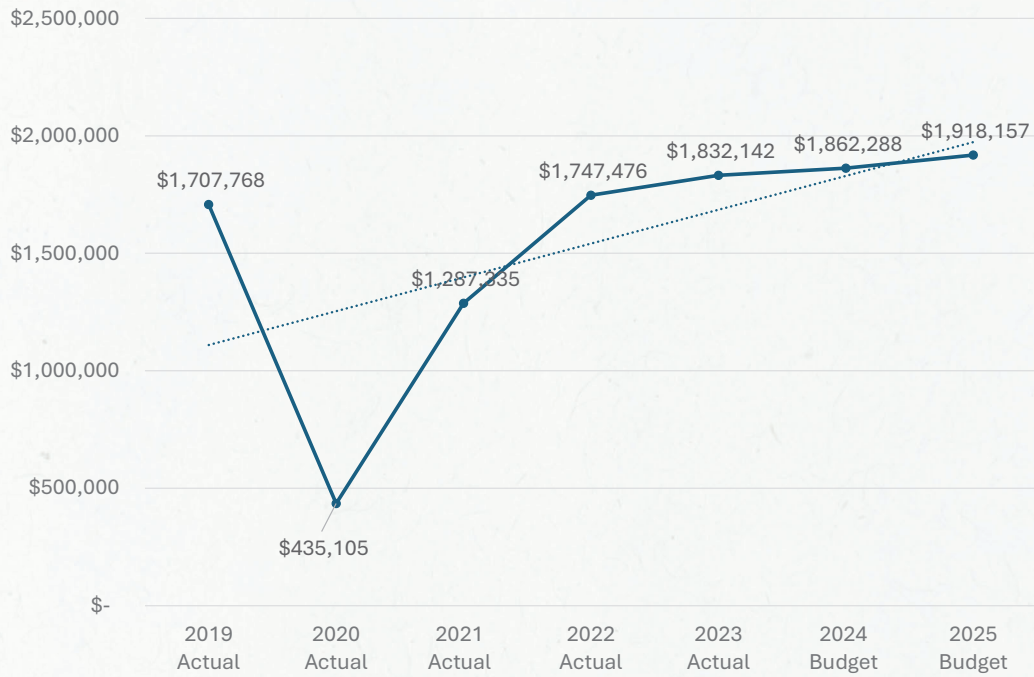


General Fund Revenue Analysis – Lodging Taxes





General Fund Revenue Analysis – Admission Taxes



2024 Sales Tax Receipts

as of October 9, 2024*

Payment Date	Revenue Month	Gross Revenue Amount	Start-up Costs (One-time only)	Net Revenue Amount Paid**
7/10/2024	May for April	\$1,059,333.21	\$(18,055.82)	\$1,041,277.39
8/9/2024	June for May	\$1,155,252.03		\$1,155,252.03
9/10/2024	July for June	\$1,310,259.73		\$1,310,259.73
TOTAL		\$3,524,844.97	-	\$3,506,789.15

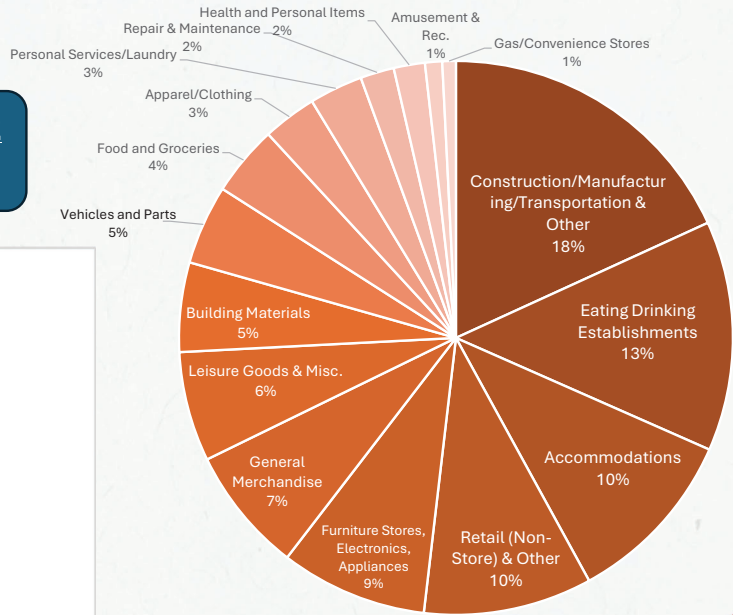
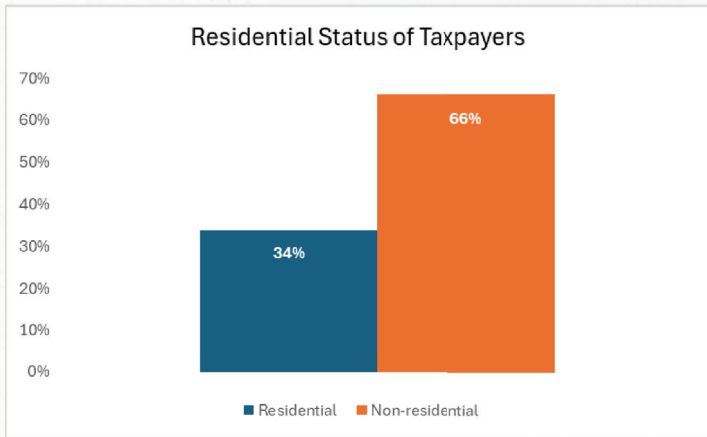
*For October receipts for July, see blm.mn/investors

**For planning purposes, we have annualized the lowest monthly net revenues resulting in an assumed \$12.5 million of revenues annually



Sales Taxpayer Diversity

The City had taxable sales from **2,572** generators in 2022

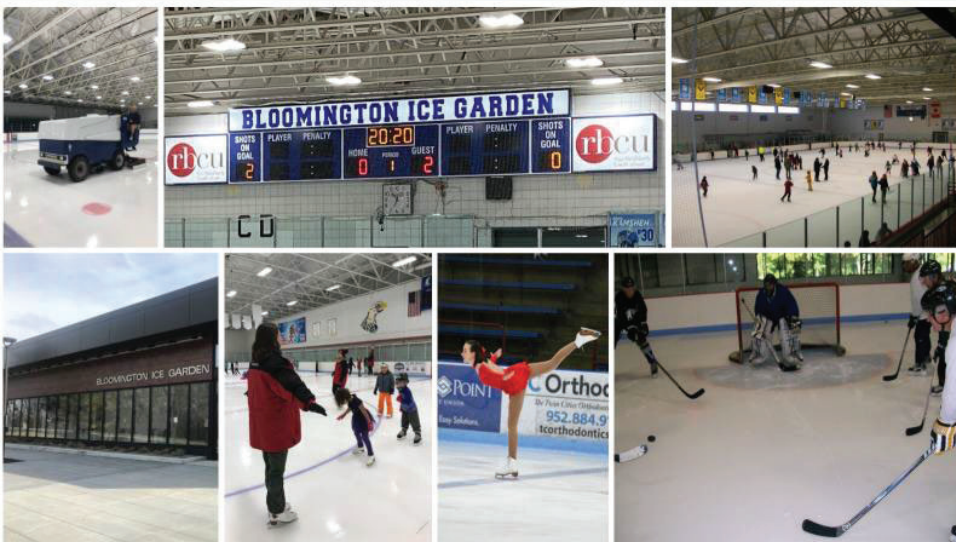


No Industry Concentration In Taxpayers

Sources: Minnesota Department of Revenue and University of Minnesota Local Option Sales Tax Study for Bloomington.



Bloomington Ice Garden



Planned Improvements include:

- Reconfigure Rink 3 from Olympic size to NHL standard size
- Indoor dryland training area
- Ticketing, security, office, and concession improvements
- Major mechanical and roofing upgrades
- ADA accessibility improvements
- Renovated locker rooms and restrooms
- New high school locker rooms



Series 2024B Bonds

Sources & Uses

Dated 11/26/2024 | Delivered 11/26/2024

Sources Of Funds

Par Amount of Bonds	\$34,865,000.00
Sales Tax Collections April-June 2024	3,506,789.15

Total Sources \$38,371,789.15

Uses Of Funds

Deposit to Project Construction Fund	35,000,000.00
Deposit to Debt Service Reserve Fund (DSRF)	2,915,627.50
Financing Costs of Issuance	456,161.65

Total Uses \$38,371,789.15

NET DEBT SERVICE SCHEDULE (1)

Date	Principal	Interest	Total P+I
02/01/2025	-	-	-
02/01/2026	740,000.00	2,172,074.65	2,912,074.65
02/01/2027	1,110,000.00	1,802,875.00	2,912,875.00
02/01/2028	1,165,000.00	1,749,040.00	2,914,040.00
02/01/2029	1,220,000.00	1,692,537.50	2,912,537.50
02/01/2030	1,280,000.00	1,633,367.50	2,913,367.50
02/01/2031	1,340,000.00	1,571,287.50	2,911,287.50
02/01/2032	1,410,000.00	1,505,627.50	2,915,627.50
02/01/2033	1,480,000.00	1,435,127.50	2,915,127.50
02/01/2034	1,555,000.00	1,360,387.50	2,915,387.50
02/01/2035	1,630,000.00	1,281,082.50	2,911,082.50
02/01/2036	1,715,000.00	1,197,137.50	2,912,137.50
02/01/2037	1,805,000.00	1,107,957.50	2,912,957.50
02/01/2038	1,900,000.00	1,013,195.00	2,913,195.00
02/01/2039	2,000,000.00	912,495.00	2,912,495.00
02/01/2040	2,110,000.00	805,495.00	2,915,495.00
02/01/2041	2,220,000.00	691,555.00	2,911,555.00
02/01/2042	2,345,000.00	570,565.00	2,915,565.00
02/01/2043	2,475,000.00	440,417.50	2,915,417.50
02/01/2044	2,610,000.00	301,817.50	2,911,817.50
02/01/2045	2,755,000.00	155,657.50	2,910,657.50
Total	\$34,865,000.00	\$23,399,699.65	\$58,264,699.65

(1) Preliminary, subject to change.



Series 2024B Sales Tax Revenue Bonds Rated AA by S&P

Summary:

Bloomington, Minnesota; Sales Tax

Credit Profile

US\$34,865 mil taxable sales tax rev bonds ser 2024B due 02/01/2045		
Long Term Rating	AA/Stable	New

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to the City of Bloomington, Minn.'s anticipated \$34,865,000 series 2024B taxable sales tax revenue bonds.
- The outlook is stable.

Security

The series 2024B bonds are secured by Bloomington's new 0.5% sales and use tax, approved by voters in November 2023. The tax took effect on April 1, 2024, and is authorized for up to 20 years or until funding the approved obligations is fulfilled, whichever comes first.

Proceeds of the series 2024B bonds will finance infrastructure repairs and renovation of the Bloomington Ice Garden, finance establishment of a debt service reserve (DSR) fund for the bonds, and pay the costs of issuance. The DSR will be funded at the standard three-pronged test (lowest of maximum annual debt service [MADS], 10% of principal, or 125% of average annual debt service).

We rate the bonds under our priority-lien tax revenue debt criteria, titled "Priority-Lien Tax Revenue Debt" (published Oct. 22, 2018), which factors in both the strength and stability of the pledged revenues, as well as the general credit quality of the municipality where taxes are distributed and/or collected (the obligor's creditworthiness [OC]).

Credit overview

Bloomington's prominent position in the broad and diverse Minneapolis-St. Paul-Bloomington metropolitan statistical area (MSA), which has demonstrated economic growth over the past decade and resiliency in the years following the pandemic, paired with our expectation of moderate-to-low volatility of future sales and use tax collections, supports the likelihood of strong MADS coverage for the bonds and future parity debt. In addition to the 2024B bonds, voters authorized \$120 million of projects to be funded with senior- and subordinate-lien sales and use tax debt. Our expectation is that coverage on all parity senior-lien debt will remain strong given the 1.6x additional bonds test (ABT) based on historical sales and use tax revenue. The city has a history of strong financial performance, supporting very strong reserves and overall liquidity. Therefore, the priority-lien rating on the bonds is not limited by the city's general





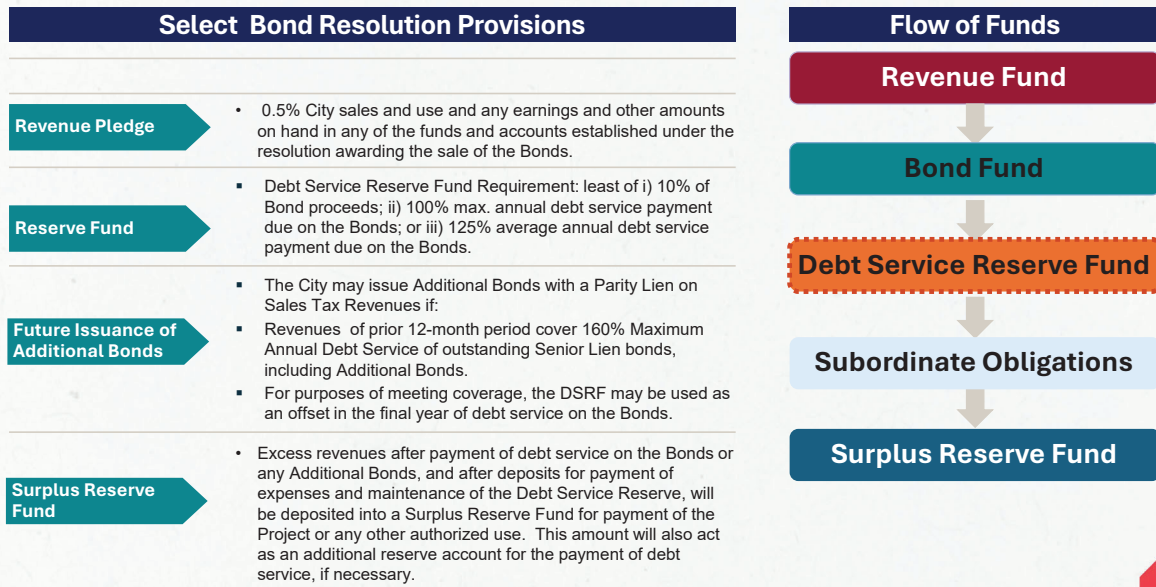
Projected Coverage – Series 2024B*

Year (2/1)	Revenues	Estimated Bonds D/S	Coverage
2025	4,166,667	-	-
2026	12,500,000	2,912,075	4.29x
2027	12,500,000	2,912,875	4.29x
2028	12,500,000	2,914,040	4.29x
2029	12,500,000	2,912,538	4.29x
2030	12,500,000	2,913,368	4.29x
2031	12,500,000	2,911,288	4.29x
2032	12,500,063	2,915,628	4.29x
2033	12,500,000	2,915,128	4.29x
2034	12,500,000	2,915,388	4.29x
2035	12,500,000	2,911,083	4.29x
2036	12,500,000	2,912,138	4.29x
2037	12,500,000	2,912,958	4.29x
2038	12,500,000	2,913,195	4.29x
2039	12,500,000	2,912,495	4.29x
2040	12,500,000	2,915,495	4.29x
2041	12,500,000	2,911,555	4.29x
2042	12,500,148	2,915,565	4.29x
2043	12,503,600	2,915,418	4.29x
2044	12,501,160	2,911,818	4.29x
2045	8,118,991	2,910,658	2.79x
Total	\$249,790,628	\$58,264,700	-

* Projections based on an annualization revenues from the lowest month of 2024 sales tax collections to date.



Summary of Legal Provisions





Sales Tax Future Plan of Finance

- \$100 million - Community Health and Wellness Center
 - Summer 2025
 - Expected to be issued in a combination of senior and subordinate lien
- \$20 million - Nine Mile Creek corridor and Moir/Central Parks
 - Summer 2026
 - Expected to be subordinate lien bonds, but will depend on revenue performance
- Phasing to meet project cash flow needs
- All projects expected to be completed by end of 2027



Summary

- Strong history of economic activity with low revenue volatility
- Broad-based tax with diverse generators
 - 33.8% Residential/ 66.2% non-residential
 - 2,572 sales tax generator
- Robust legal provisions
 - ABT 1.6x on senior lien bonds
 - Debt Service reserve sized based on three prong test
 - Closed loop system - sales tax revenues can only be used for designated projects and debt service
- Forward-looking management with detailed financial policies and reporting



Appendix



Ballot Question and Election Results

CITY QUESTION 1 (Bloomington)

SALES AND USE TAX FOR COMMUNITY HEALTH AND WELLNESS CENTER

Shall the City of Bloomington impose a one-half of one percent (0.5%) sales and use tax for up to 20 years for \$100 million plus the cost of interest and of issuing the bonds, to build a new Community Health and Wellness Center? By voting "yes" on this question you are voting to increase the sales tax in Bloomington to pay for a new building and related updates that provides wellness and recreational activities and that replaces the existing Creekside Community Center and Public Health buildings. If one, two, or all three questions are approved by the voters, the City is only authorized to impose a single one-half of one percent (0.5%) sales and use tax increase for a maximum of 20 years or until enough sales tax revenue has been raised to pay for the costs of the voter-approved projects.

YES 56.18%
NO 43.82%





Ballot Question and Election Results

CITY QUESTION 2 (Bloomington)

SALES AND USE TAX FOR BLOOMINGTON ICE GARDEN IMPROVEMENTS

Shall the City of Bloomington impose a one-half of one percent (0.5%) sales and use tax for up to 20 years for \$35 million plus the cost of interest and of issuing the bonds for improvements to the Bloomington Ice Garden ("BIG")? By voting "yes" on this question you are voting to increase the sales tax in Bloomington to pay for costs related to and improvements of mechanical, refrigeration, and roof systems, accessibility for people with disabilities, new locker rooms, ice sheets, training area, and spectator and concession spaces. If one, two, or all three questions are approved by the voters, the City is only authorized to impose a single one-half of one percent (0.5%) sales and use tax increase for a maximum of 20 years or until enough sales tax revenue has been raised to pay for the costs of the voter-approved projects.

YES **53.05%**
NO **46.95%**



Ballot Question and Election Results

CITY QUESTION 3 (Bloomington)

SALES AND USE TAX FOR NINE MILE CREEK CORRIDOR RENEWAL

Shall the City of Bloomington impose a one-half of one percent (0.5%) sales and use tax for up to 20 years for \$20 million plus the cost of interest and of issuing the bonds for new construction and restoration of the Nine Mile Creek Corridor, including Moir and Central Parks? By voting "yes" on this question you are voting to increase the sales tax in Bloomington to pay for improvements including wetland and Nine Mile Creek restoration, new trails, boardwalks, and bridges, accessibility for people with disabilities, and new restrooms, park shelter, playground, and other facilities. If one, two, or all three questions are approved by the voters, the City is only authorized to impose a single one-half of one percent (0.5%) sales and use tax increase for a maximum of 20 years or until enough sales tax revenue has been raised to pay for the costs of the voter-approved projects.

YES **52.30%**
NO **47.70%**



Sales Tax Legislation

In May 2023, the Legislature authorized the City to seek voter approval for a **0.5% sales tax increase**.

For more details, refer to Section 27 of Chapter 64.

Sec. 27. CITY OF BLOOMINGTON: TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 472A.018, or any other law, ordinance, or city charter, and if approved by the voters at an election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Bloomington may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. Use of sales and use tax revenues. (a) The revenues derived from the tax authorized under subdivision 1 must be used by the city of Bloomington to pay the costs of collecting and administering the tax and paying for the following projects in the city, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) \$55,000,000 for new construction and rehabilitation of the Bloomington Ice Gardens and associated infrastructure;

(2) \$100,000,000 for construction of a new Community Health and Wellness Center and associated infrastructure; and

(3) \$20,000,000 for new construction and restoration of the Nine Mile Creek Corridor Renewal and associated infrastructure.

(b) For purposes of this subdivision, "associated infrastructure" includes but is not limited to any or all of the following items required for the safe access or use of the capital projects, facilities, roads, lighting, sidewalks, parking, landscaping, and utilities.

Subd. 3. Bonding authority. (a) The city of Bloomington may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2 and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed:

(1) \$55,000,000 for the project listed in subdivision 2, paragraph (a), clause (1), plus an amount to be applied to the payment of the costs of issuing the bonds;

(2) \$100,000,000 for the project listed in subdivision 2, paragraph (a), clause (2), plus an amount to be applied to the payment of the costs of issuing the bonds; and

(3) \$20,000,000 for the project listed in subdivision 2, paragraph (a), clause (3), plus an amount to be applied to the payment of the costs of issuing the bonds.

(b) The bonds may be paid from or secured by any funds available to the city of Bloomington, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 475.60 and 475.61.

(c) The bonds are not included in computing any debt limitation applicable to the city of Bloomington and any levy of taxes under Minnesota Statutes, section 475.61. In any principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. Termination of taxes. Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 20 years after the tax is first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for projects approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (2), any funds remaining after payment of the allowed costs due to the lapse of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, must be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Bloomington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.



Genesis of Sales Tax and Referendum

Item	Completion Date
Adopt a resolution proposing the tax	January 23, 2023
Submit resolution and supporting materials to tax committees	January 25, 2023
Receive legislative authority	May 2023
Adopt resolution accepting the special legislation authorizing proposed tax	June 26, 2023
File certificate of special law approval with secretary of state	June 28, 2023
Notice to county auditor of ballot referendum	July 26, 2023
Referendum at general election *separate ballot questions for each project*	November 7, 2023
Ordinance imposing the tax once approved by referendum	December 4, 2023
Notify commissioner of revenue before imposing tax, changing rate, repealing tax	December 12, 2023
Date of tax imposition	April 1, 2024





Links for Minnesota Sales Tax Details

Items subject to sales tax in Minnesota:

- [Taxable Sales](#)
- [Nontaxable Sales](#)

