FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Bloomington, MN's IDR and GOs at 'AAA'; Outlook Stable

Fri 21 Mar, 2025 - 5:45 PM ET

Fitch Ratings - Chicago - 21 Mar 2025: Fitch Ratings has affirmed Bloomington, MN's Issuer Default Rating (IDR) and outstanding unlimited tax general obligation (ULTGO) bonds rating at 'AAA'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⬍	RATING ⬍			PRIOR ⬍
Bloomington (MN) [General Government]	LT IDR	AAA	Affirmed	AAA
Bloomington (MN) /General Obligation - Unlimited Tax/1 LT	LT	AAA	Affirmed	AAA

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incorporates the city's 'aaa' financial resilience assessment given a 'High Midrange' level of budgetary flexibility and Fitch's expectation that general fund unrestricted reserves will be maintained at or above 10% of spending and transfers out, with audited fiscal 2023 reserves equivalent to 50% of general fund spending.

The city's long-term liability assessment compared to Fitch's local government ratings portfolio is assessed at 'Midrange'. The rating also incorporates a 'Weakest' population trend, balanced against a 'Strong' demographic and economic level metrics compared to the Fitch rated portfolio.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- An increase in long-term liabilities beyond Fitch's expectations for near-term issuance assuming current levels of personal income and governmental resources and spending;

--A substantial reduction in financial resilience due to unrestricted reserves falling below 10% of spending and transfers out.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Not applicable given 'AAA' rating.

SECURITY

The bonds are general obligations of the city, for which the city pledges its full faith and credit and power to levy direct general ad valorem taxes, unlimited as to rate or amount. In addition to the GO pledge, the city will pledge special assessments against benefited properties.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Bloomington Model Implied Rating: 'AA+' (Numerical Value: 9.80)

-- Metric Profile: 'AA+' (Numerical Value: 9.80)

-- Net Additional Analytical Factor Notching: 0.0

Bloomington's Model Implied Rating is 'AA+'. The associated numerical value of 9.80 is at the upper end of the 9.0 to 10.0 range for a 'AA+' rating.

KEY RATING DRIVERS

VARIATIONS TO MODEL IMPLIED RATING

A model deviation of one notch up was applied for an anticipated temporary migration of the rating. Bloomington's Model Implied Rating of 9.80 is below the range for its current 'AAA' rating. The Model Implied Rating has historically been above 10.0, but recently fell due to near-term growth in direct debt driven by a recently approved voter initiative for a 0.5% local option sales tax to invest $155 million in the City's Bloomington Forward plan .

The application of a model deviation reflects Fitch's forward-looking view that the rating will return to above 10.0 given anticipated growth in the resource base and limited future direct debt plans, which would support the removal of the one-notch model deviation.

FINANCIAL PROFILE

Financial Resilience - 'aaa'

Bloomington's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment: >=10.0%

-- Current year fund balance to expenditure ratio: 50.1% (2023)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2019-2023: 47.0% (2019)

Revenue Volatility - 'Strongest'

Bloomington's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 3.5% increase for the three-year period ending fiscal 2011

-- Median issuer decline: -4.5% (2023)

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, Bloomington's population trend is assessed as 'Weakest'.

Population trend: 0.1% 2022 median of 10-year annual percentage change in population (11th percentile)

Unemployment, Educational Attainment and MHU Level - 'Strong'

government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

-- Unemployment rate as a percentage of national rate: 77.8% 2023 (79th percentile), relative to the national rate of 3.6%

-- Percent of population with a bachelor's degree or higher: 45.4% Analyst Input (83rd percentile) (vs. 44.9% 2022 Actual)

-- MHI as a percent of the portfolio median: 108.8% Analyst Input (60th percentile) (vs. 112.1% 2022 Actual)

Economic Concentration and Population Size - 'Strongest'

Bloomington's population in 2022 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 87,398 Analyst Input (above the 15th percentile) (vs. 87,762 2022 Actual)

-- Economic concentration: 31.0% Analyst Input (above the 15th percentile) (vs. 31.7% 2023 Actual)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

Long-Term Liability Burden - 'Midrange'

Bloomington's liabilities to personal income and liabilities to governmental revenue have deteriorated while carrying costs to governmental expenditures remain moderately strong. The long-term liability composite metric in 2023 is at the 55th percentile, roughly in line with Fitch's local government rating portfolio.

-- Liabilities to personal income: 4.6% Analyst Input (58th percentile) (vs. 2.4% 2023 Actual)

-- Liabilities to governmental revenue: 202.8% Analyst Input (38th percentile) (vs. 116.3% 2023 Actual)

-- Carrying costs to governmental expenditures: 12.9% Analyst Input (64th percentile) (vs. 9.3% 2023 Actual)

The analyst adjusted direct debt, debt service, governmental revenues, and governmental expenditures to reflect principal amortization, as well as fiscal 2024 issuance and planned fiscal 2025 issuances.

PROFILE

The City of Bloomington is located in Hennepin County. Bloomington participates in the Twin Cities metropolitan economy, although the city has its own broad economic base that incorporates a diverse mix of industries including technology, healthcare and manufacturing. The city's local economy is concentrated with retail and tourism-linked businesses. The city has a wealthy and growing local economy anchored by the Mall of America (MOA), which has driven strong tax base and revenue growth over the past several years.

In addition to the MOA, the city is home to large corporate entities, including the Toro Company, the Donaldson Company, HealthPartners and Seagate Technology. The city also benefits from sophisticated financial planning and a track record of healthy reserves and positive operating performance.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below,

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

U.S. Public Finance Local Government Rating Criteria (pub. 02 Apr 2024) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Bloomington (MN)   EU Endorsed, UK Endorsed

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