MOODY'S ASSIGNS Aaa RATING TO CITY OF BLOOMINGTON'S (MN) GO BONDS SERIES 44, SERIES 2010B, AND SERIES 2010F

Aaa RATING APPLIES TO $50.2 MILLION POST-SALE GOULT DEBT

Moody's Investors Service has assigned a Aaa rating to the City of Bloomington's (MN) $6.3 million General Obligation Capital Permanent Improvement Revolving Fund Bonds of 2010 Series 44, $2.2 million Taxable General Obligation Pension Bonds, Series 2010B, and $5.9 million Taxable General Obligation Capital Improvement Plan Bonds, Series 2010F. Concurrently, Moody's has affirmed the Aaa rating on the city's outstanding $50.2 million general obligation debt.

RATING RATIONALE

The current issues are secured by the city's general obligation unlimited property tax pledge. Proceeds of the Series 44 bonds will finance various capital projects in the city, and proceeds of the Series 2010B bonds will fund a portion of the city's unfunded pension liability for the city's volunteer fire department. Proceeds of the 2010F bonds will refund the city's outstanding Lease Revenue Bonds Series 2001 for estimated net present value savings. Assignment and affirmation of Moody's highest rating reflects the city's substantial tax base that continues to play an integral role in the Twin Cities area economy despite the current recession; consistently well-managed financial operations; and affordable debt position, with possible future debt plans associated with the Mall of America expansion.

SUBSTANTIAL TAX BASE CONTINUES TO PLAY INTEGRAL ROLE IN TWIN CITIES ECONOMY DESPITE CURRENT RECESSION

Despite experiencing the effects of the national recession, including increased unemployment and recent valuation declines, Bloomington's economy should remain relatively sound in the long term, supported by a diverse mix of industries that mitigates the risk of severe economic downturn. Located in Hennepin County (GO rated Aaa/stable outlook), Bloomington is the third largest city in the Twin Cities metropolitan area and plays a significant role in the regional economy, with substantial residential, manufacturing, retail, and service components. Bloomington benefits from its proximity to the region's major transportation networks, including highways (I-35W and I-494); four stops on the Hiawatha Light Rail Transit system; and the Minneapolis-St. Paul International Airport, which borders Bloomington. Resident income levels are above state and national medians, as is the city's median home value. Bloomington's unemployment rate (6.9% in June 2010) has increased but remains below that of the nation. The city's full valuation is substantial. However, due to valuation declines in both residential and commercial properties, full value declined from $12.5 billion in 2007 to $12.3 billion in 2008. More recent depreciation of commercial properties contributed to an additional 5.9% decline in 2009 bringing the city's taxbase to a lesser but still substantial $11.6 billion.

Retail is a key component of Bloomington's economy, as the city is home to the Mall of America (MOA). MOA is the city's top taxpayer (representing 10.9% of 2009 assessed valuation) and employer (with 13,000 full time and part time jobs). A 5.6 million square foot Phase II expansion of the MOA is planned, which will include additional retail, hotel, entertainment, office, and parking space. The exact timeline and public financing of the Phase II expansion has not yet been determined.

CONSISTENTLY WELL-MANAGED FINANCIAL OPERATIONS

Moody's expects the city's strong financial operations to continue due to consistently healthy reserve levels, multi-year financial planning, and conservative management. Bloomington maintains ample and stable reserves, with General Fund balances that have equaled between 33% and 37% of annual General Fund revenues in each of the last seven fiscal years. Despite some revenue challenges, in fiscal 2009, the General Fund posted a $207,000 operating surplus, bringing the General Fund balance to $19.9 million (36.8% of General Fund revenues). The operating surplus was achieved through overall expenditure reductions implemented in response to declines in collections from entertainment and hotel taxes (which comprise 10.7% of General Fund revenues). Officials report positive operations year-to-date for fiscal 2010 and expect to add a sizeable surplus of approximately $1 million at the close of the fiscal year. The city passed a balanced budget for fiscal 2011 and plan to continue to reign in expenditures through downturn strategies in the event of further revenue shortfalls.

Property taxes comprise the General Fund's largest revenue source, representing 61.6% of fiscal 2009 revenues. City officials report that no budgetary pressures have resulted from the state-imposed property tax levy limits, as the city enjoys sufficient margin within the caps. The city does not receive any Local Government Aid and does not budget for Market Value Homestead Credit, which limits the city’s vulnerability to potential state budgetary pressures.

AFFORDABLE DEBT POSITION; POSSIBLE FUTURE DEBT PLANS ASSOCIATED WITH MALL OF AMERICA EXPANSION

Moody's expects the city's moderate overall debt burden of 2.0% and direct debt burden of 0.5% to remain manageable, given the practice of internal financing of capital projects and rapid principal amortization of direct obligations. Approximately 83.6% of the principal on the city's tax-supported debt is amortized in ten years, which is faster than state and national medians. Minnesota cities benefit from the state's statutory requirement to levy 105% of the annual debt service levy for tax-backed general obligation debt, providing excess revenues to offset property tax delinquencies. The city's direct debt totals $50.2 million. Of this amount, $9.4 million represents an October 2009 issue of the Bloomington Port Authority that financed projects in the Mall of America area. Proceeds of this fixed rate issue redeemed outstanding maturities of the city's only variable rate debt issue. Bloomington now has no variable rate debt outstanding. The city is not a party to any interest rate swap agreements.

The city’s Volunteer Fire Pension Fund is currently modestly underfunded at a UAAL funded ratio of 99%. Previous to 2006, the pension was funded at an ample 130%. The current bonds are being issued to bring the current UAAL funded ratio to previous higher ratios above 100%.

City officials expect to issue additional debt for infrastructure development for the Mall of America Phase II project. The exact amount and timeframe for the debt associated with this project has not yet been determined, but project cost estimates range from $50 million to $60 million over the next couple of years. However, the city retains the flexibility to implement a State authorized MOA sales tax to fund a portion of project costs.

KEY STATISTICS

2000 Census population: 85,172 (1.3% decrease from 1990)

2009 Estimated population: 84,034 (1.3%% increase from 2000)

2009 Full value: $11.6 billion (2.7% average annual increase from 2005)

2009 Full value per capita: $137,926

1999 Per capita income: $29,782 (138% of US)

1999 Median family income: $67,135 (134% of US)

1999 Median home value: $147,000 (123% of US)

City of Bloomington unemployment rate (June 2010): 6.9%

Fiscal 2009 General Fund balance: $19.9 million (36.8% of General Fund revenues)

Direct debt burden: 0.5%

Overall debt burden: 2.0%

Principal amortization (10 years): 83.6%

Post-sale general obligation debt outstanding: $50.2 million