

# Bloomington, Minnesota

## General Obligation Bonds New Issue Report

### Ratings

#### New Issues

General Obligation Permanent Improvement Revolving Fund Bonds of 2011, Series 45 AAA

General Obligation Permanent Improvement Revolving Fund Refunding Bonds, Series 2011A AAA

Taxable General Obligation Tax Increment Refunding Bonds, Series 2011B AAA

#### Outstanding Debt

General Obligation Bonds AAA

#### Rating Outlook

Stable

### New Issue Details

**Sale Information:** \$7,585,000 General Obligation Permanent Improvement Revolving Fund Bonds of 2011, Series 45, \$2,180,000 General Obligation Permanent Improvement Revolving Fund Refunding Bonds, Series 2011A, and \$3,125,000 Taxable General Obligation Tax Increment Refunding Bonds, Series 2011B via competitive sale on Oct. 17.

**Security:** Bloomington's full faith and credit and power to levy direct general ad valorem taxes. The permanent improvement revolving fund bonds will also be supported by special assessments, and the tax increment bonds are additionally secured by tax increment funds.

**Purpose:** To finance various capital improvement projects and refund outstanding bonds.

**Final Maturity:** Feb. 1, 2032.

### Key Rating Drivers

**Financial Stability:** The city benefits from strong financial practices reflected by its sophisticated, proactive financial planning, above-average reserves, and consistent financial operations.

**Thriving Mall Anchors Economy:** The local economy, anchored by the large and healthy Mall of America (MOA), is prosperous, with below-average unemployment levels and high wealth levels.

**Moderate Debt Levels:** Debt levels are affordable and future capital needs are manageable.

### Related Research

For information on Build America Bonds, visit [www.fitchratings.com/BABs](http://www.fitchratings.com/BABs).

Fitch Rates Bloomington, MN's GOs 'AAA'; Outlook Stable, Oct. 12, 2011

### Analysts

Eric Friedman  
+1 212 908-9181  
[eric.friedman@fitchratings.com](mailto:eric.friedman@fitchratings.com)

Arlene Bohner  
+1 212 908-0554  
[arlene.bohner@fitchratings.com](mailto:arlene.bohner@fitchratings.com)

## Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	10/12/11
AAA	Affirmed	Stable	9/30/10
AAA	Affirmed	Stable	11/12/09
AAA	Affirmed	Stable	10/2/08
AAA	Affirmed	Stable	11/14/07
AAA	Affirmed	Stable	1/4/07
AAA	Affirmed	Stable	10/26/06
AAA	Assigned	Stable	10/15/04

## Credit Profile

Located in Hennepin County (GO bonds rated 'AAA' with a Stable Rating Outlook by Fitch Ratings), approximately 11 miles from Minneapolis, Bloomington has a 2010 population of 82,893 residents. In addition to participating in the expansive Minneapolis metropolitan economy, the city's own economic base is broad and includes a mix of industries including large technology, healthcare, and manufacturing concerns. Unemployment for July 2011 was 7.0%, below the 7.4% state average and well below the 9.3% national average. Wealth indicators and taxable market values per capita are well above average, although the overall tax base has contracted some in recent years.

The city is home to the MOA, the largest shopping center and entertainment complex in the U.S. The mall comprises 9% of the city's total assessed value. The city continues to experience growth centered around the mall, with a new hotel project and other expansion projects complementing MOA's 9.4% year-over-year (August 2010 to August 2011) growth in sales. The city does not receive sales tax revenue from MOA, but the mall is the largest employer in the city, supplying 13,000 jobs.

## Finances

The combination of historically strong economic growth and manageable budgetary increases has contributed to a strong financial position. The city posted a \$462,000 general fund deficit (0.8% of expenditures) for fiscal 2010. The city transferred out \$4.4 million of operating surplus to prefund future pension obligations. The city's unreserved general fund balance was a substantial \$19.1 million, representing 33.9% of expenditures and transfers out. City officials project another operating surplus for fiscal 2011 of about \$1.8 million, primarily through cost-savings measures, diligent budget monitoring, and increases in lodging and admissions taxes. The city expects to use this anticipated surplus to fund future obligations.

Property taxes accounted for approximately two-thirds of general fund operating support in fiscal 2010. The city budgeted a slight decrease in the property tax levy for fiscal 2011, and is currently planning a similar decrease in fiscal 2012. Overall, the measured pace of budgetary expansion, combined with the discretionary nature of significant portions of the budget and maintenance of ample reserves, provides the city with considerable financial flexibility.

## Debt/Pension

Low direct debt ratios are a product of high internal funding for capital projects. The direct debt burden is just 0.7% of market value, or \$961 on a per capita basis. Overall debt levels are more moderate at 2.3% of market value or \$3,147 on a per capita basis, reflecting the relatively sizable issuances by Hennepin County and Bloomington School District. Payout is well above average, with approximately 90% of debt retired within 10 years. The city's capital improvement plan totals \$458 million, with the largest component for road and street improvements.

## Debt Statistics

(\$000)	
This Issue	12,890
Outstanding Direct Debt – Net of Refunding	66,775
<b>Total Net Direct Debt</b>	<b>79,665</b>
Overlapping Debt	181,207
<b>Total Overall Debt</b>	<b>260,872</b>
<b>Debt Ratios</b>	
Net Direct Debt Per Capita <sup>a</sup>	961
As % of MV <sup>b</sup>	0.7
Overall Debt Per Capita <sup>a</sup>	3,147
As % of MV <sup>b</sup>	2.3

<sup>a</sup>Population: 82,893 (2010). <sup>b</sup>Market value (MV): \$11,131,835,000 (fiscal 2010). Note: Numbers may not add due to rounding.

## Related Criteria

Tax-Supported Rating Criteria, Aug. 15, 2011  
 U.S. Local Government Tax-Supported Rating Criteria, Aug. 15, 2011

The city participates in two state pension plans for all employees except volunteer firefighters, for whom the city has a single employer plan. The city makes all statutorily required payments to the state plans, and the city's fire plan is currently 105% funded, with additional funds set aside for future contributions. The city provides only an implicit subsidy for other post-employment benefits for retirees.

### General Fund Financial Summary

(\$000, Years Ended Dec. 31)

	2006	2007	2008	2009	2010
Property Tax Revenue	28,450	30,233	31,640	33,318	34,101
Other Tax Revenue	8,081	8,677	9,331	8,340	9,155
<b>Total Tax Revenue</b>	<b>36,531</b>	<b>38,910</b>	<b>40,971</b>	<b>41,658</b>	<b>43,256</b>
License and Permits	3,913	4,562	3,774	3,733	3,624
Fines and Forfeits	1,045	1,007	941	1,011	1,210
Intergovernmental Revenue	2,177	2,472	2,465	2,092	2,086
Other Revenue	3,230	3,487	3,560	2,942	3,113
<b>General Fund Revenue</b>	<b>46,896</b>	<b>50,438</b>	<b>51,711</b>	<b>51,436</b>	<b>53,289</b>
General Government				5,520	5,207
Public Safety Expenditures	18,251	19,682	20,629	21,589	20,911
Public Works Expenditures	10,720	11,134	11,333	11,562	11,518
Capital Outlay Expenditures	148	261	369	117	104
Other Expenditures	17,890	18,950	19,798	14,434	14,080
<b>General Fund Expenditures</b>	<b>47,009</b>	<b>50,027</b>	<b>52,129</b>	<b>53,222</b>	<b>51,820</b>
General Fund Surplus	(113)	411	(418)	(1,786)	1,469
Transfers In	1,242	1,421	1,103	2,645	2,673
Transfers Out	0	1	24	652	4,604
Net Transfers and Other	1,242	1,420	1,079	1,993	(1,931)
<b>Net Surplus/(Deficit)</b>	<b>1,129</b>	<b>1,831</b>	<b>661</b>	<b>207</b>	<b>(462)</b>
Total Fund Balance	17,093	18,924	19,705	19,912	19,450
As % of Expenditures, Transfers Out, and Other Uses	36.4	37.8	37.8	37.0	34.5
Unreserved Fund Balance	16,703	18,301	19,389	19,651	19,122
As % of Expenditures, Transfers Out, and Other Uses	35.5	36.6	37.2	36.5	33.9

Note: Numbers may not add due to rounding.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Copyright © 2011 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.