



City Council Study Meeting AGENDA

**CITY COUNCIL MEETING
MONDAY, OCTOBER 20, 2025
COUNCIL CHAMBERS
BLOOMINGTON CIVIC PLAZA
1800 W. OLD SHAKOPEE RD.
BLOOMINGTON, MN 55431
6:30 PM**

Mayor: Tim Busse

Councilmembers:

Victor Rivas
Chao Moua
Dwayne Lowman

Lona Dallessandro
Jenna Carter
Shawn Nelson

ANNOUNCEMENT

This meeting will be held in person and electronically via Webex. Some members of the City Council, testifiers, and presenters may participate electronically as permitted by Minnesota Statutes. Members of the public may participate in person or electronically. Directions are provided below.

To watch the meeting:

- Attend in person
- Watch online at blm.mn/btv-live or the City's YouTube channel blm.mn/youtube
- Watch BTV (Comcast channels 859 or 14)

To provide testimony on a public hearing item:

- Attend in person and speak at the podium; or
- Speak by phone during a public hearing by dialing **1-415-655-0001**. Enter access code **2868 828 0478#** and password 102025 #. Press ***3** to "raise your hand" to indicate a desire to speak; your line will remain muted until it is your turn. When it is your turn to speak, the Council Secretary will call on you by the first six digits of your phone number and will unmute your line. Listen for notification that your line has been unmuted and state your name before speaking.

CALL TO ORDER

The City Council requests that attendees silence cell phones during the meeting. A paper copy of the full City Council packet is available to the public in the ring binder at the entrance of Council Chambers.

PLEDGE OF ALLEGIANCE

1. APPROVAL OF AGENDA

2. INTRODUCTORY

2.1 Oath of Office - City Manager

3. CONSENT BUSINESS

The following items are considered to be routine by the City Council and will be acted on by one motion.

There will be no separate discussion of these items unless a Councilmember so requests, in which event the item will be removed from the consent agenda and considered at the end of Consent Business or at another stated time on the agenda as determined by the City Council. If you desire to have an item removed from the consent agenda, then please alert the Council Secretary prior to the start of the City Council meeting.

The Council Secretary will notify the City Council of a request to remove an item from the consent agenda.

3.1 Approval of Fund Balance Policy Revision

3.2 Authorize the Bloomington-Edina-Richfield Family Services Collaborative Governing Agreement

3.3 Approval of City Council Meeting Minutes

4. HEARINGS, RESOLUTIONS, AND ORDINANCES

To address the Council on a public hearing item, please approach the podium, clearly state your name, and after you have spoken, please sign the roster so the City can accurately include your comments in the official meeting minutes.

4.1 Resolution Awarding the Sale of Taxable CIP Bonds, Series 2025D

4.2 Resolution Awarding the Sale of GO PIR Fund Bonds of 2025, Series 57

5. ORGANIZATIONAL BUSINESS

5.1 Study Item - Missing Middle Housing Phase II

5.2 Reserve Study Results

5.3 2026-2035 Capital Improvement Plan (CIP) Draft

5.4 2026 Budget Discussions: External Services Team and Utility Rates

COUNCIL POLICY AND ISSUE UPDATES

Council will discuss policy updates

6. ADJOURNMENT

ATTACHMENTS

Additional Meetings Attachments

Additional Attachments

View regular meetings live or via archive at blm.mn/meetings. Catch the replay on Comcast cable by tuning to Bloomington TV channels 14(SD) and 859(HD) the Wednesday after a meeting at 6:00 p.m. and Thursday at 12:00 a.m., 6:00 a.m. and 12:00 p.m.

BloomingtonMN.gov: A yearly meeting schedule, agendas, and the official minutes once approved are available. If you require a reasonable accommodation, please call 952-563-8733 (MN Relay 711) as soon as possible, but no later than 9:00 a.m. one business day before the meeting day.

Our mission is to cultivate an enduring and remarkable community where people want to be.



Request for Council Action

Originator City Clerk	Item 2.1 Oath of Office - City Manager
Agenda Section INTRODUCTORY	Date October 20, 2025

Requested Action:

City Clerk to provide the Oath of Office to incoming City Manager Zach Walker.

Item created by: Jamy Hanson, City Clerk

Item presented by: Jamy Hanson, City Clerk

Description:

City Manager Zach Walker to take the oath of office from the City Clerk.

Attachments:

[Oath of Office](#)

State of Minnesota

County of Hennepin

City of Bloomington

*I, **Zach Walker**, do solemnly swear that I will support the Constitution of the United States and of the State of Minnesota, and faithfully discharge the duties of the office of City Manager of the City of Bloomington in the County of Hennepin and State of Minnesota, to the best of my judgment and ability.*

Subscribed and sworn to before me this

20th day of October, 2025.



Request for Council Action

Originator Finance	Item 3.1 Approval of Fund Balance Policy Revision
Agenda Section CONSENT BUSINESS	Date October 20, 2025

Requested Action:

Motion by _____ seconded by _____ to approve the revised Fund Balance Year-End Classification Policy (Per GASB 54).

Item created by: Briana Eicheldinger, Finance

Item presented by: Lori Economy-Scholler, CFO

Description:

The Finance Department annually reviews the City's Financial Management Policies to ensure strong internal controls and policy compliance.

The revisions to the policy include removing inactive funds and adding in newer funds along with the associated description and assignment of fund balance.

Council is asked to approve the revised policy as submitted. The revised policy will be effective upon approval.

Attachments:

[Fund Balance Year-End Classification Policy \(Per GASB 54\) DRAFT 2025_tracked](#)

[Fund Balance Year-End Classification Policy \(Per GASB 54\) DRAFT 2025_clean](#)



Fund Balance Year-End Classification Policy (Per GASB 54)

Purpose

The Government Finance Officers Association's (GFOA's) guiding principle for classifying the various components of fund balance is to indicate the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

Scope

Following governmental accounting standards, the City has ~~three~~two basic categories of funds: governmental funds, ~~and~~ proprietary funds, ~~and fiduciary funds~~. This fund balance classification policy applies only to the governmental categories. The policy is based on GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions issued by the Governmental Accounting Standards Board (GASB).

GOVERNMENTAL FUNDS

~~In 2009, the Governmental Accounting Standards Board (GASB) issued a new standard, GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard has altered the categories and terminology used to describe the components of fund balance in the governmental funds. (but This standard it does not apply to the proprietary or fiduciary funds). This standard is effective for Bloomington beginning December 2011.~~

The City's governmental funds include the following fund types:

- A. General Fund
- B. Special Revenue Funds
- C. Debt Service Funds
- D. Capital Projects Funds

Definitions (as they apply to Governmental Funds under GASB 54):

Fund balance – the difference between assets and liabilities reported in a governmental fund.

Nonspendable fund balance – amounts that are not in a spendable form (e.g., prepaid items and inventories of supplies). Resources that must be maintained intact pursuant to legal or contractual requirements are also considered nonspendable.

Restricted fund balance – amounts subject to externally enforceable legal restrictions (creditors, grantors, contributors, and by law through constitutional provisions or enabling regulations).

Unrestricted fund balance – the total of committed fund balance, assigned fund balance, and unassigned fund balance, as described below.

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (City Council). Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. The City Council must [take action](#) on these commitments before year end.

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance – amounts that are available for any purpose in the general fund. Only the general fund can report a positive amount of unassigned fund balance. [Other governmental funds may report deficit fund balances as unassigned.](#)

Policy

A. General Fund

The General Fund is established to account for all revenues and expenditures which are not required to be accounted for in other funds. Revenue sources include property taxes, license and permit fees, fines and forfeits, program revenues, intergovernmental revenues, investment interest earnings, and transfers. The General Fund's resources finance a wide range of functions including the operations of general government, public safety, and public works.

The General Fund will have committed fund balances at year end for purchase order encumbrances and budget carryovers. The General Fund may have a portion of its fund balance classified as nonspendable if there are long term receivables, inventories, or prepaid items on the balance sheet.

The General Fund is the only fund that can have a [negative](#) unassigned fund balance. The working capital balance of the general fund will fall into the unassigned fund balance classification.

B. Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Governmental accounting standards require that substantial inflows of revenues into a special revenue fund be either restricted or committed in order for the fund to be considered a special revenue fund. The City has eight different special revenue funds as follows:

1. **Community Development Block Grant (CDBG)** – this fund normally has a zero fund balance at year end, and if there were to be a balance it would be considered restricted based upon grant requirements. This fund accounts for funds received under Title I of the Housing and Community Development Act of 1974.
2. **Public Health Opioid Settlement** – these grant funds are considered restricted based on legal grant requirements for the use of funds from a national settlement.
3. **Public Safety** – these grant funds are mostly considered restricted based on grant and forfeiture requirements and state statutes regarding police pensions; one portion area of this fund would be considered which is committed by the City Council is the balance for future fire pension obligations.
4. **Communications** – this fund is both restricted and committed by franchise agreements. The Public Education in Government (PEG) revenues (4302) are restricted per the franchise agreement. The cable TV franchise fees (4301) are committed per City Council.
- ~~5. **Park Grants** – these funds are considered restricted by state and Metropolitan Council grant agreements.~~
5. **Park Grants** – these funds are considered restricted by state and Metropolitan Council grant agreements.
- 4-6. **South Loop Revolving Development District** - this fund balance is considered committed. The committed revenue source is permit surcharges. This fund was established to account for City funds for the Met Center Environmental Impact Statement (EIS) and Alternative Urban Area-wise Review (AUAR) for South Loop development.
7. ~~Energy Efficient Block Grant~~ **Creative Placemaking** – this fund is restricted committed based on grant requirements. City Council action. The funds are designated for the purpose of building a vibrant, distinctive, and sustainable community through the use of art.
- 5-8. **Federal Relief** - this fund is restricted based on grant requirements. It has a zero fund balance since funds were received in advance of spending and the cash in the fund is offset by unearned revenues. This fund accounts for money received as part of the American Rescue Plan Act, an economic stimulus bill passed by the federal government in 2021 to speed up the country's recovery from the economic and health effects of the ongoing COVID-19 pandemic.
9. **Cemetery Trust** – this is considered restricted based on state statute. These funds provide for the perpetual care, maintenance, and improvement of the City cemetery.
10. **Sewer Availability Charge (SAC)** - this fund normally has a zero fund balance at year end as the nature of the activity is to hold deposits due to Metropolitan Council for the SAC programs including the Small Business Deferral and Credit programs. If a fund balance exists in the future it will be committed.
11. **Veterans Memorial** - this fund is committed by City Council for the donations and ongoing maintenance expenses for the Veterans Memorial.

~~6. **Park Grants** – these funds are considered restricted by state and Metropolitan Council grant agreements.~~

D.C. Debt Service Funds

Debt service fund balances are considered restricted; they are resources that are being accumulated for payments of principal and interest maturing in current and future years. All of the City of Bloomington debt service funds are considered restricted.

E.D. Capital Project Funds

~~Capital project fund balances are considered restricted or committed; they are resources that are being accumulated for current and future projects.~~ Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. In Bloomington, capital project funds are split into ~~three~~two categories:

- ♦ 1. Capital Projects – this category has balances that are considered both restricted and committed. ~~The Carlton TIF District and the South Loop Industrial Development District I are both Funds~~ balances related to Bloomington sales tax, South Loop development, bond proceeds, opportunity housing, local affordable housing aid and developer escrows are restricted through enabling legislation. The Art Center capital project fund is restricted per bond covenants. The funds for Park Development and Strategic Priorities ~~funds~~ are both committed by the City Council for future projects. The Escrow Trust fund ~~will be~~is considered assigned.
- 2. Improvement Construction ~~– this category has balances that are considered both restricted and assigned. Fund balances related to bond proceeds and abatement district funds are restricted. Fund balances related to street and trail reconstruction are assigned.~~
 - ~~1. – these funds are considered restricted either through bond covenants or enabling legislation.~~
 - ♦ ~~State Aid Construction – these funds are considered restricted by Minnesota Department of Transportation agreements.~~

Order of Fund Balance Spend-down

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: (1) committed, (2) assigned, and (3) unassigned.

Carryovers and Encumbrances

For each year end, the City Council approves purchase order encumbrances and budget carryovers. Both the encumbrances and the budget carryovers will be considered committed fund balances upon approval by the City Council.

Prepared by: Amy Sevig, Deputy Finance Officer 10/2025
Date

Approved by: _____
Chief Financial Officer Date

City Manager Date



Fund Balance Year-End Classification Policy (Per GASB 54)

Purpose

The Government Finance Officers Association's (GFOA's) guiding principle for classifying the various components of fund balance is to indicate the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

Scope

Following governmental accounting standards, the City has two basic categories of funds: governmental funds and proprietary funds. This fund balance classification policy applies only to the governmental categories. The policy is based on GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions issued by the Governmental Accounting Standards Board (GASB).

This standard altered the categories and terminology used to describe the components of fund balance in the governmental funds. This standard does not apply to the proprietary funds.

The City's governmental funds include the following fund types:

- A. General Fund
- B. Special Revenue Funds
- C. Debt Service Funds
- D. Capital Projects Funds

Definitions (as they apply to Governmental Funds under GASB 54):

Fund balance – the difference between assets and liabilities reported in a governmental fund.

Nonspendable fund balance – amounts that are not in a spendable form (e.g., prepaid items and inventories of supplies). Resources that must be maintained intact pursuant to legal or contractual requirements are also considered nonspendable.

Restricted fund balance – amounts subject to externally enforceable legal restrictions (creditors, grantors, contributors, and by law through constitutional provisions or enabling regulations).

Unrestricted fund balance – the total of committed fund balance, assigned fund balance, and unassigned fund balance, as described below.

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (City Council). Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. The City Council must act on these commitments before year end.

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance – amounts that are available for any purpose in the general fund. Only the general fund can report a positive amount of unassigned fund balance. Other governmental funds may report deficit fund balances as unassigned.

Policy

A. General Fund

The General Fund is established to account for all revenues and expenditures which are not required to be accounted for in other funds. Revenue sources include property taxes, license and permit fees, fines and forfeits, program revenues, intergovernmental revenues, investment interest earnings, and transfers. The General Fund’s resources finance a wide range of functions including the operations of general government, public safety, and public works.

The General Fund will have committed fund balances at year end for purchase order encumbrances and budget carryovers. The General Fund may have a portion of its fund balance classified as nonspendable if there are long term receivables, inventories, or prepaid items on the balance sheet.

The General Fund is the only fund that can have a positive unassigned fund balance. The working capital balance of the general fund will fall into the unassigned fund balance classification.

B. Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Governmental accounting standards require that substantial inflows of revenues into a special revenue fund be either restricted or committed in order for the fund to be considered a special revenue fund. The City has eight different special revenue funds as follows:

1. **Community Development Block Grant (CDBG)** – this fund normally has a zero fund balance at year end, and if there were to be a balance it would be considered restricted based upon grant requirements. This fund accounts for funds received under Title I of the Housing and Community Development Act of 1974.
2. **Opioid Settlement** – these grant funds are considered restricted based on legal requirements for the use of funds from a national settlement

3. **Public Safety** – these funds are mostly considered restricted based on grant and forfeiture requirements one portion of this fund -which is committed by the City Council is the balance for future fire pension obligations.
4. **Communications** – this fund is both restricted and committed by franchise agreements. The Public Education in Government (PEG) revenues are restricted per the franchise agreement. The cable TV franchise fees are committed per City Council.
5. **Park Grants** – these funds are considered restricted by grant agreements.
6. **South Loop Revolving Development District** - this fund balance is considered committed. The committed revenue source is permit surcharges. This fund was established to account for City funds for the Met Center Environmental Impact Statement (EIS) and Alternative Urban Area-wise Review (AUAR) for South Loop development.
7. **Creative Placemaking** – this fund is committed based on City Council action. The funds are designated for the purpose of building a vibrant, distinctive, and sustainable community through the use of art.
8. **Federal Relief** - this fund is restricted based on grant requirements. It has a zero fund balance since funds were received in advance of spending and the cash in the fund is offset by unearned revenues. This fund accounts for money received as part of the American Rescue Plan Act, an economic stimulus bill passed by the federal government in 2021 to speed up the country's recovery from the economic and health effects of the ongoing COVID-19 pandemic.
9. **Cemetery Trust** – this is considered restricted based on state statute. These funds provide for the perpetual care, maintenance, and improvement of the City cemetery.
10. **Sewer Availability Charge (SAC)** - this fund normally has a zero fund balance at year end as the nature of the activity is to hold deposits due to Metropolitan Council for the SAC programs including the Small Business Deferral and Credit programs. If a fund balance exists in the future it will be committed.
11. **Veterans Memorial** - this fund is committed by City Council for the donations and ongoing maintenance expenses for the Veterans Memorial.

C. Debt Service Funds

Debt service fund balances are considered restricted; they are resources that are being accumulated for payments of principal and interest maturing in current and future years. All of the City of Bloomington debt service funds are considered restricted.

D. Capital Project Funds

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. In Bloomington, capital project funds are split into two categories:

1. **Capital Projects** – this category has balances that are considered both restricted and committed. Funds balances related to Bloomington sales tax, South Loop development, bond proceeds, opportunity housing, local affordable housing aid and developer escrows are restricted through enabling legislation. The Art Center capital project fund is restricted per

bond covenants. The funds for Park Development and Strategic Priorities are both committed by the City Council for future projects. The Escrow Trust fund is considered assigned.

2. **Improvement Construction** – this category has balances that are considered both restricted and assigned. Fund balances related to bond proceeds and abatement district funds are restricted. Fund balances related to street and trail reconstruction are assigned.

Order of Fund Balance Spend-down

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: (1) committed, (2) assigned, and (3) unassigned.

Carryovers and Encumbrances

For each year end, the City Council approves purchase order encumbrances and budget carryovers. Both the encumbrances and the budget carryovers will be considered committed fund balances upon approval by the City Council.

Prepared by: Amy Sevig, Deputy Finance Officer 10/2025
Date

Approved by: _____
Chief Financial Officer Date

City Manager Date

City Council Adopted 12/19/2011; revised **TBD 2025**



Request for Council Action

Originator Public Health	Item 3.2 Authorize the Bloomington-Edina-Richfield Family Services Collaborative Governing Agreement
Agenda Section CONSENT BUSINESS	Date October 20, 2025

Requested Action:

Motion by _____, seconded by _____ to authorize the Bloomington-Edina-Richfield Family Services Collaborative Governing Agreement.

Item created by: Selma Avdic, Public Health

Item presented by: Nick Kelley, Public Health Administrator

Description:

The City Council is requested to authorize the execution of the Bloomington-Edina-Richfield Family Services Collaborative Governing Agreement. This family services collaborative is being formed by various partners, including school districts to support various activities aimed at improving the social, emotional, educational, and economical outcomes of all children, youth, and their families.

The term will begin once all signatures are acquired and remain in effect for a period of seven years.



Request for Council Action

Originator City Manager's Office	Item 3.3 Approval of City Council Meeting Minutes
Agenda Section CONSENT BUSINESS	Date October 20, 2025

Requested Action:

Motion by _____, seconded by _____ to approve the city council meeting minutes as presented.

Item created by: Priyanka Rai, City Manager's Office

Item presented by: Priyanka Rai, Council Secretary

Description:

September 30, 2025 - City Council/Port Authority Concurrent Meeting Minutes

Attachments:

[2025_September_30_CC-PA_Concurrent_Unapproved_Minutes.pdf](#)

City Council/Port Authority Concurrent Meeting
Tuesday, September 30, 2025
Council Chambers
Bloomington Civic Plaza
1800 West Old Shakopee Road
Bloomington, MN 55431
6:00 PM

[To watch this meeting video please click here.](#)

CALL TO ORDER

Mayor Busse and President Erickson called the Concurrent City Council/Port Authority meeting to order at 6:00 p.m.

City Council members present: Busse, Carter, Moua, Rivas, Lowman, Dallessandro. Nelson arrived at 6:05 p.m.

Port Commissioners present: Erickson, Busse, Hunt, Lunz, Peterson, Santana. Nelson arrived at 6:05 p.m.

Staff Present:

- Holly Masek, Port Authority Administrator
- Kevin Knase, Assistant Port Authority Administrator
- Melissa Manderschied, City Attorney
- Gina Fiorini, Port Counsel

Item 3.1

APPROVAL OF MINUTES

City Council:

M/Busse, S/ Lowman: to approve the minutes of the September 16, 2025 Concurrent City Council/Port Authority meeting.

Motion carried 6-0. (Nelson had not yet arrived.)

Port Authority:

M/Peterson, S/Hunt: to approve the minutes of the September 16, 2025 Concurrent City Council/Port Authority meeting.

Motion carried 6-0. (Nelson had not yet arrived.)

Item 4.1

**PUBLIC HEARING: Second
Amended and Restated TIF
Spending Plan**

Staff proposed an amendment to the Tax Increment Financing (TIF) Spending Plan - a Second Amended and Restated Spending Plan - to incorporate the special legislation passed during the 2025 special legislative session. These changes include:

1. an extension of the deadline to commit and spend funds to December 31, 2027 if used in TIF Districts 1-C and 1-G (i.e. MOA and MOA North Lot property)
2. an extension of the deadline to commit and spend funds to December 31, 2026 if used outside of TIF Districts 1-C and 1-G (i.e. South Loop)
3. authorizes the use of interest on transferred increment, which increases the amount of spending plan TIF available for future projects

This increase is not an automatic approval of additional subsidy for the Mystery Cove Waterpark project or any other project. This increase preserves the opportunity to spend these funds on future projects only as determined eligible and necessary via future action. The Spending Plan is required as part of the 2021 State Statute for TIF Flexibility and its subsequent modification via the 2025 Special Legislation.

Mayor Busse opened the Public Hearing at 6:11 p.m.
There were no testifiers in Council Chambers and no testifiers online.

M/Moua, S/Dallessandro: to close the Public Hearing.
Motion carried 7-0.

The Public Hearing closed at 6:11 p.m.

City Council:
M/Dallessandro, S/Carter: to adopt RESOLUTION NO. 2025-136, A RESOLUTION APPROVING A SECOND AMENDED AND RESTATED SPENDING PLAN FOR CERTAIN TAX INCREMENT FINANCING DISTRICTS LOCATED WITHIN INDUSTRIAL DEVELOPMENT DISTRICT NO. 1 SOUTH LOOP.
Motion carried 7-0.

Port Authority:
M/Peterson, S/Nelson: to adopt RESOLUTION NO. 11-BPA-25, A RESOLUTION APPROVING A SECOND AMENDED AND RESTATED SPENDING PLAN FOR CERTAIN TAX INCREMENT FINANCING DISTRICTS LOCATED WITHIN INDUSTRIAL DEVELOPMENT DISTRICT NO. 1 SOUTH LOOP.
Motion carried 7-0.

ADJOURNMENT

City Council:
M/Carter, S/Dallessandro: to adjourn the Concurrent City Council/Port Authority meeting.
Motion carried 7-0.

The meeting was adjourned by Mayor Busse and President Erickson at 6:14 p.m.



Request for Council Action

Originator Finance	Item 4.1 Resolution Awarding the Sale of Taxable CIP Bonds, Series 2025D
Agenda Section HEARINGS, RESOLUTIONS, AND ORDINANCES	Date October 20, 2025

Requested Action:

Motion by _____, seconded by _____ to adopt Resolution No. 2025-____ awarding the sale of Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D, in the original aggregate principal amount of \$3,210,000; fixing their form and specifications; directing their execution and delivery; and providing for their payment.

Item created by: Briana Eicheldinger, Finance

Item presented by: Lori Economy-Scholler, CFO

Description:

Request:

Council is asked to award the sale of Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D

Background:

On August 25, 2025, the City Council adopted 2025-107, authorizing the sale of its Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D.

Proceeds of the Bonds will be used to finance the construction of capital improvements authorized by the City under the amended combined ten (10) year capital improvement plan for years 2025 through 2034, which was approved by the City Council on August 25, 2025, including but not limited to construction of a new equipment maintenance garage.

Related Resolutions:

- Reimbursement Resolution 2023-140
- Reimbursement Resolution 2024-198
- Authorizing Resolution 2025-107

NOTE: Figures on the Award Resolution will be updated on Monday, October 20th after the sale and will be distributed the evening of the Council meeting.

Julie Eddington, Bond Attorney from Kutak Rock and Elizabeth Bergman, Municipal Advisor with Baker Tilly, LLC. will be available.

Attachments:

[Presentation](#)
[Resolution_final](#)



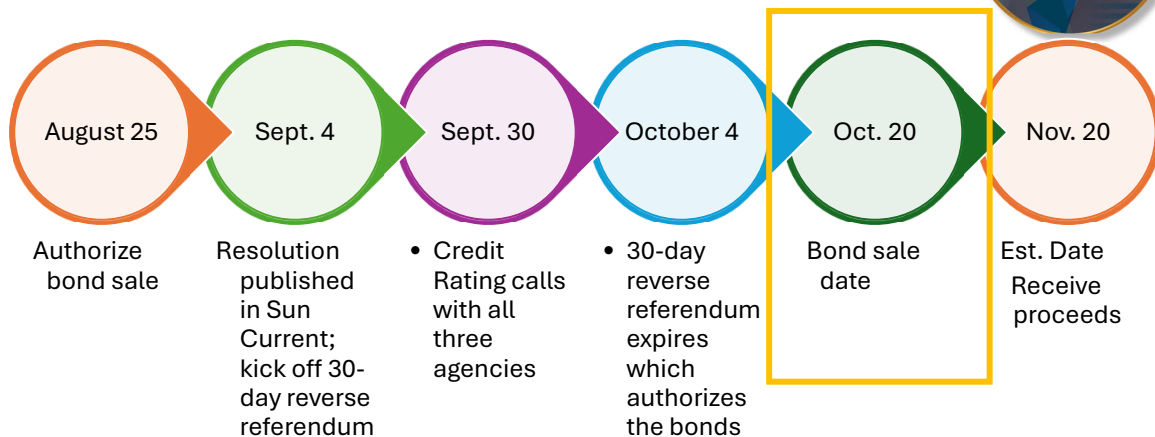
Resolution Awarding the Sale of Taxable CIP Bonds, Series 2025D

Lori Economy-Scholler, CFO

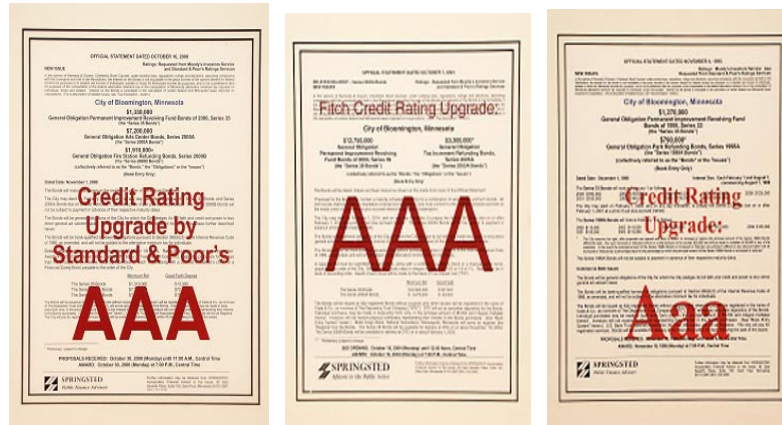
October 20, 2025



Bonding Timeline



Financial Sustainability



One of 35 municipal governments of more than 19,500 nationwide



Credit Rating Highlights



Fitch	Moody's	S&P
Score high on revenue control assessment and budgetary flexibility in the Financial Resilience Components	- Strong and growing full value per capita - Consistently strong financial profile - Relatively low long-term liabilities ratio	- Robust and expanding economy... with a favorable location - Consistently positive general fund performance, supported by active and forward-looking financial planning - Comprehensive and prudent approach to financial management



Taxable General Obligation Capital Improvement Bonds



- Land Purchase for New Fleet Maintenance Garage
- Bonding project maximum is \$3,300,000 including cost of issuance and related debt service reserves
- 20-year term
- Property tax revenues will pay the debt service on these bonds
- Final amount \$3,210,000
- Winning bid: Robert W. Baird
- Two bids received
- True Interest Cost (TIC): 4.66%



Motion



Motion by _____, seconded by _____ to adopt Resolution No. 2025-_____ awarding the sale of Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D, in the original aggregate principal amount of \$3,210,000; fixing their form and specifications; directing their execution and delivery; and providing for their payment.



RESOLUTION NO. 2025-_____

**AWARDING THE SALE OF TAXABLE GENERAL OBLIGATION CAPITAL
IMPROVEMENT PLAN BONDS, SERIES 2025D, IN THE ORIGINAL
AGGREGATE PRINCIPAL AMOUNT OF \$3,210,000; FIXING THEIR FORM
AND SPECIFICATIONS; DIRECTING THEIR EXECUTION AND DELIVERY;
AND PROVIDING FOR THEIR PAYMENT**

BE IT RESOLVED by the City Council of the City of Bloomington, Minnesota (the “City”) as follows:

Section 1. Authorization for Sale of Bonds. Pursuant to a resolution adopted by the City Council on August 25, 2025, the City authorized the sale of taxable general obligation capital improvement plan bonds to finance the construction of capital improvements authorized by the City under the amended combined ten (10) year capital improvement plan for years 2025 through 2034 (the “Plan”), which Plan was approved by the City Council on August 25, 2025, including but not limited to construction of a new equipment maintenance garage (which includes the new fleet garage) (the “Capital Improvements”), pursuant to Minnesota Statutes, Chapter 475, as amended, specifically Section 475.521 (the “Act”). The City did not receive a qualified petition for a referendum on the issuance of bonds under the Act within thirty (30) days of the public hearing held on August 25, 2025.

Section 2. Sale of Bonds.

2.01. Award to the Purchaser and Interest Rates. A tabulation of the offers received for the purchase of the City’s Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D (the “Bonds”), in the original aggregate principal amount of \$3,210,000, is attached hereto as EXHIBIT A. The proposal of Robert W. Baird & Co. Incorporated, Milwaukee, Wisconsin, as syndicate manager (the “Purchaser”), to purchase the Bonds is hereby found and determined to be a reasonable offer and is hereby accepted, the proposal being to purchase the Bonds at a price of \$3,212,634.74 (par amount of \$3,210,000.00, plus original issue premium of \$55,474.95, less original issue discount of \$23,616.60, less underwriter’s discount of \$29,223.61), plus accrued interest, if any, to date of delivery for Bonds bearing interest as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Interest Rate</u>
2027	5.000%	2037*	4.300%
2028	5.000	2039*	4.450
2029	5.000	2041*	4.550
2030	5.000	2042	4.600
2031	5.000	2043	4.650
2032	5.000	2044	4.700
2033	5.000	2045	4.750
2034	5.000	2046	4.800
2035	5.000		

** Term Bond*

True interest cost: 4.6607401%

2.02. Terms and Principal Amount of the Bonds. The City shall forthwith issue and sell the Bonds in the total principal amount of \$3,210,000, pursuant to the Act, originally dated November 20, 2025, in the denomination of \$5,000 or any integral multiple thereof, numbered R-1 and upward, bearing interest as above set forth, and maturing on February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$70,000	2037*	\$315,000
2028	105,000	2039*	345,000
2029	110,000	2041*	375,000
2030	115,000	2042	200,000
2031	120,000	2043	210,000
2032	130,000	2044	220,000
2033	135,000	2045	230,000
2034	140,000	2046	240,000
2035	150,000		

* *Term Bond*

2.03. Purchase Contract. Any amount paid by the Purchaser over the minimum purchase price shall be credited to the Debt Service Fund or the Construction Fund hereinafter created as determined by the Chief Financial Officer of the City in consultation with the City’s municipal advisor. The Chief Financial Officer is directed to deposit the good faith check or deposit of the Purchaser, pending completion of the sale of the Bonds, and to return the good faith deposits of the unsuccessful proposers. The Mayor and the City Manager, or any Interim City Manager serving in the capacity thereof (collectively, the “City Manager”), are directed to execute a contract with the Purchaser on behalf of the City.

2.04. Optional Redemption. The City may elect on February 1, 2035, and on any day thereafter to prepay Bonds due on or after February 1, 2036. Redemption may be in whole or in part and, if in part, at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City shall notify DTC (as defined in Section 7 hereof) of the particular amount of such maturity to be prepaid. DTC shall determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant shall then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest to the date of redemption.

2.05. Mandatory Redemption; Term Bonds. The Bonds maturing on February 1, 2037, February 1, 2039, and February 1, 2041 shall hereinafter be referred to collectively as the “Term Bonds.” The principal amount of the Term Bonds subject to mandatory sinking fund redemption on any date may be reduced through earlier optional redemptions, with any partial redemptions of the Term Bonds credited against future mandatory sinking fund redemptions of such Term Bonds in such order as the City shall determine. The Term Bonds are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on February 1 of the following years and in the principal amounts as follows:

Sinking Fund Installment Date

<u>February 1, 2037 Term Bond</u>	<u>Principal Amount</u>
2036	\$155,000
2037*	160,000

* *Maturity*

<u>February 1, 2039 Term Bond</u>	<u>Principal Amount</u>
2038	\$170,000
2039*	175,000

* *Maturity*

<u>February 1, 2041 Term Bond</u>	<u>Principal Amount</u>
2040	\$185,000
2041*	190,000

* *Maturity*

Section 3. Form; Registration.

3.01. Registered Form. The Bonds shall be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Each Bond shall be dated as of the last interest payment date preceding the date of authentication to which interest on the Bond has been paid or made available for payment, unless (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case the Bond shall be dated as of the date of authentication; or (ii) the date of authentication is prior to the first interest payment date, in which case the Bond shall be dated as of the date of original issue. The interest on the Bonds shall be payable on February 1 and August 1 in each year, commencing August 1, 2026, to the registered owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not that day is a business day.

3.03. Registration. The Chief Financial Officer shall act as the initial bond registrar, transfer agent, and authenticating agent (the “Registrar”) with respect to the Bonds and shall also act as the initial paying agent (the “Paying Agent”) with respect to the Bonds. At any time, the City may appoint a separate entity as Registrar and Paying Agent. The effect of registration and the rights and duties of the City and the Registrar with respect thereto are as follows:

(a) Register. The Registrar shall keep a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred, or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate

principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until that interest payment date.

(c) Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount and maturity as requested by the registered owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon a transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums to be paid.

(g) Taxes, Fees, and Charges. The Registrar may impose a charge upon the owner thereof for every transfer or exchange of Bonds, sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. If a Bond becomes mutilated or is destroyed, stolen, or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date, and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen, or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen, or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen, or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation must be given to the City. If the mutilated, destroyed, stolen, or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

(i) Redemption. In the event any of the Bonds are called for redemption, notice thereof identifying the Bonds to be redeemed shall be given by the Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than sixty (60) and not less than thirty (30) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books kept by the Registrar and by publishing the notice if required by law. Failure to give notice by publication or by mail to any registered owner, or any defect therein, shall not affect the validity of the proceedings for the

redemption of Bonds. Bonds so called for redemption shall cease to bear interest after the specified redemption date, provided that the funds for the redemption are on deposit with the place of payment at that time.

3.04. Appointment of Initial Registrar and Paying Agent. Pursuant to Section 3.03 hereof, the Chief Financial Officer is the initial Registrar and the initial Paying Agent for the Bonds. If the City appoints a separate entity as Registrar or as Paying Agent, the Mayor and the City Manager are authorized to execute and deliver, on behalf of the City, a contract with the Registrar or a contract with the Paying Agent. Upon merger or consolidation of the Registrar or the Paying Agent with another corporation, if the resulting corporation is a bank or trust company authorized by law to conduct such business, the resulting corporation shall be authorized to act as successor Registrar or successor Paying Agent. The City agrees to pay the reasonable and customary charges of the Registrar and the reasonable and customary charges of the Paying Agent for the respective services performed. The City reserves the right to remove the Registrar upon thirty (30) days' notice, and upon the appointment of a successor Registrar, the predecessor Registrar shall deliver the bond register to the successor Registrar. The City reserves the right to remove the Paying Agent upon thirty (30) days' notice and to appoint a successor Paying Agent. At any time a separate entity other than the Chief Financial Officer acts as Paying Agent, on or before each principal or interest due date, without further order of the City Council, the Chief Financial Officer shall transmit to the Paying Agent money sufficient for the payment of all principal and interest then due on the Bonds.

3.05. Execution, Authentication, and Delivery. The Bonds shall be prepared under the direction of the Chief Financial Officer and shall be executed on behalf of the City by the signatures of the Mayor and the City Manager, provided that all signatures may be printed, engraved, or lithographed facsimiles of the originals. If an officer whose signature or a facsimile of whose signature appears on the Bonds ceases to be such officer before the delivery of any Bond, that signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless and until a certificate of authentication on the Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. When the Bonds have been so prepared, executed, and authenticated, the Chief Financial Officer shall deliver the same to the Purchaser thereof upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

Section 4. Form of Bonds.

4.01. Form of Bonds. The Bonds shall be printed or typewritten in substantially the form attached hereto as EXHIBIT B.

4.02. Bond Counsel Opinion. The City Manager shall obtain a copy of the approving legal opinion of Kutak Rock LLP, Minneapolis, Minnesota ("Bond Counsel"), and shall cause the opinion to accompany the delivery of the Bonds.

Section 5. Payment; Security; Pledges; and Covenants.

5.01. Debt Service Fund. The Bonds are payable from the Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D Debt Service Fund (the "Debt Service Fund") hereby created. The Debt Service Fund shall be administered by the Chief Financial Officer as a bookkeeping account

separate and apart from all other funds maintained in the official financial records of the City. The proceeds of ad valorem taxes hereinafter levied (the "Taxes") are hereby pledged to the Debt Service Fund. There is appropriated to the Debt Service Fund amounts over the minimum purchase price of the Bonds paid by the Purchaser, to the extent designated for deposit in the Debt Service Fund in accordance with Section 2.03 hereof.

5.02. Construction Fund. The City hereby creates the Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D Construction Fund (the "Construction Fund"). Proceeds of the Bonds, less the appropriations made in Section 5.01 hereof, shall be deposited in the Construction Fund to be used solely to defray expenses of the Capital Improvements. When the Capital Improvements are completed and the cost thereof paid, the Construction Fund is to be closed and any funds remaining shall be deposited in the Debt Service Fund.

5.03. Pledge of Tax Levy. In order to pay the principal of and interest on the Bonds, there is hereby levied upon all of the taxable property of the City a direct, annual ad valorem tax, which shall be collectible with other taxes in the years and amounts set forth in EXHIBIT C attached hereto. The Taxes shall be irrevocable as long as any of the Bonds are outstanding and unpaid; provided that the City reserves the right and power to reduce the levies in the manner and to the extent provided in Section 475.61 of the Act.

5.04. General Obligation Pledge. The full faith and credit of the City is pledged for payment of the principal of and interest on the Bonds, and the City Council covenants that it shall levy additional ad valorem taxes at any future time if it appears that the amounts herein pledged will not be sufficient to meet all such payments of principal of and interest on the Bonds when due. If a payment of principal or interest on the Bonds becomes due when there is not sufficient money in the Debt Service Fund to pay the same, the Chief Financial Officer shall pay such principal or interest from the general fund of the City, and the general fund shall be reimbursed for those advances out of the proceeds of the Taxes, when collected.

5.05. Certification to Debt Service Fund Amount. It is hereby determined that the estimated collections of the foregoing Taxes will produce at least five percent (5%) in excess of the amount needed to meet when due the principal and interest payments on the Bonds. The tax levy herein provided shall be irrevocable until all of the Bonds are paid, provided that the City Manager shall annually, at the time the City makes its tax levies, certify to the Auditor/Treasurer of Hennepin County, Minnesota (the "County Auditor/Treasurer") the amount available in the Debt Service Fund to pay principal and interest due during the ensuing year, and the County Auditor/Treasurer shall thereupon reduce the levy collectible during such year by the amount so certified.

5.06. Filing of Resolution. Bond Counsel is authorized and directed to file a certified copy of this resolution with the County Auditor/Treasurer, on behalf of the City, and to obtain the certificate required by Section 475.63 of the Act.

Section 6. Authentication of Transcript.

6.01. Proceedings and Records. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser and to the attorneys approving the Bonds certified copies of proceedings and records of the City relating to the Bonds and to the financial condition and affairs of the City, and such other certificates, affidavits, and transcripts as may be required to show the facts within their knowledge or as shown by the books and records in their custody and under their control, relating to the validity and marketability of the Bonds and such instruments, including any heretofore furnished, shall be deemed representations of the City as to the facts stated therein.

6.02. Official Statement. The Mayor, the City Manager, and the Chief Financial Officer are hereby authorized and directed to certify that they have examined the Official Statement prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is, as of the date thereof, a complete and accurate representation of the facts and representations made therein as it relates to the City.

6.03. Other Certificates. The Mayor, the City Manager, and the Chief Financial Officer are hereby authorized and directed to furnish to the Purchaser at the closing such certificates as are required as a condition of sale. Unless litigation shall have been commenced and be pending questioning the Bonds or the organization of the City or incumbency of its officers, at the closing the Mayor and the City Manager shall also execute and deliver to the Purchaser a suitable certificate as to absence of material litigation, and the Chief Financial Officer shall also execute and deliver a certificate as to payment for and delivery of the Bonds.

6.04. Electronic Signatures. The electronic signature of the Mayor, the City Manager, the Chief Financial Officer, and/or the Secretary to the City Council to this resolution and to any certificate authorized to be executed hereunder shall be as valid as an original signature of such party and shall be effective to bind the City thereto. For purposes hereof, (i) “electronic signature” means (a) a manually signed original signature that is then transmitted by electronic means or (b) a signature obtained through DocuSign or a similarly digitally auditable signature gathering process; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message.

Section 7. Book-Entry System; Limited Obligation of City.

7.01. Form and Registration of Bonds. The Bonds shall be issued in the form of a separate single typewritten or printed fully registered Bond for each of the maturities set forth in Section 2.02 hereof. The ownership of each Bond shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, and its successors and assigns (“DTC”). Except as provided in this Section, all of the outstanding Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

7.02. The Depository Trust Company. With respect to Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the City, the Registrar, and the Paying Agent shall have no responsibility or obligation to any broker-dealers, banks, and other financial institutions from time to time for which DTC holds Bonds as securities depository (“Participants”) or to any other person on behalf of which a Participant holds an interest in the Bonds, including but not limited to, any responsibility or obligation with respect to: (i) the accuracy of the records of DTC, Cede & Co., or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other person (other than a registered owner of Bonds, as shown by the registration books kept by the Registrar) of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any Participant or any other person, other than a registered owner of Bonds, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The City, the Registrar, and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bonds, and for all other purposes. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or on the order of the respective registered owners, as shown in the registration books kept by the Registrar, and all such payments shall be valid and effectual to fully satisfy and discharge the City’s obligations with respect to

payment of principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of Bonds, as shown in the registration books kept by the Registrar, shall receive a certificated Bond evidencing the obligation of this resolution. Upon delivery by DTC to the City Manager of a written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words “Cede & Co.” shall refer to such new nominee of DTC; and upon receipt of such a notice, the City Manager shall promptly deliver a copy of the same to the Registrar and Paying Agent.

7.03. Representation Letter. The City has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations (the “Representation Letter”) which shall govern payment of principal of, premium, if any, and interest on the Bonds and notices with respect to the Bonds. Any Paying Agent or Registrar subsequently appointed by the City with respect to the Bonds shall agree to take all action necessary for all representations of the City in the Representation Letter with respect to the Registrar and Paying Agent, respectively, to be complied with at all times.

7.04. Transfers Outside Book-Entry System. In the event the City, by resolution of the City Council, determines that it is in the best interests of the persons having beneficial interests in the Bonds that they be able to obtain Bond certificates, the City shall notify DTC, whereupon DTC shall notify the Participants, of the availability through DTC of Bond certificates. In such event the City shall issue, transfer, and exchange Bond certificates as requested by DTC and any other registered owners in accordance with the provisions of this resolution. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, if no successor securities depository is appointed, the City shall issue and the Registrar shall authenticate Bond certificates in accordance with this resolution and the provisions hereof shall apply to the transfer, exchange, and method of payment thereof.

7.05. Payments to Cede & Co. Notwithstanding any other provision of this resolution to the contrary, so long as a Bond is registered in the name of Cede & Co., as nominee of DTC, payments with respect to principal of, premium, if any, and interest on the Bond and all notices with respect to the Bond shall be made and given, respectively, in the manner provided in DTC’s Operational Arrangements, as set forth in the Representation Letter.

Section 8. Continuing Disclosure.

8.01. Execution of Continuing Disclosure Certificate. “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Mayor and City Manager and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

8.02. City Compliance with Provisions of Continuing Disclosure Certificate. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this resolution, failure of the City to comply with the Continuing Disclosure Certificate is not to be considered an event of default with respect to the Bonds; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section.

Section 9. Defeasance. When all Bonds and all interest thereon have been discharged as provided in this Section, all pledges, covenants and other rights granted by this resolution to the holders of the Bonds will cease, except that the pledge of the full faith and credit of the City for the prompt and full

payment of the principal of and interest on the Bonds will remain in full force and effect. The City may discharge all Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full. If any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

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Passed and adopted this 20th day of October, 2025.

Mayor

Attest:

Secretary

EXHIBIT A

TABULATION OF BIDS



\$3,245,000*

CITY OF BLOOMINGTON, MINNESOTA

**TAXABLE GENERAL OBLIGATION CAPITAL IMPROVEMENT
PLAN BONDS, SERIES 2025D**

Moody's Rating: Aaa

S&P Rating: AAA

Fitch Rating: AAA

Sale Date: October 20, 2025

BBi: 4.78%

Average Maturity: 12.530 Years

Bidder	TIC
Robert W. Baird & Co. Inc.	4.6702%
Piper Sandler & Co.	4.6919%

Winning Bidder Information	Maturity	Interest Rate	Reoffering Yield	Reoffering Price
ROBERT W. BAIRD & CO. INC.	2/1/2027	5.00%	3.55%	101.679%
C.L. King & Associates, Inc.	2/1/2028	5.00%	3.50%	103.140%
Colliers Securities	2/1/2029	5.00%	3.60%	104.187%
Crews & Associates, Inc.	2/1/2030	5.00%	3.70%	105.005%
Edward Jones	2/1/2031	5.00%	3.80%	105.605%
Northland Securities, Inc.	2/1/2032	5.00%	3.90%	105.998%
UMB Bank, N.A.	2/1/2033	5.00%	4.00%	106.194%
CADZ Securities, Inc.	2/1/2034	5.00%	4.10%	106.206%
First Bankers' Banc Securities Inc.	2/1/2035	5.00%	4.20%	106.045%
Bernardi Securities, Inc.	2/1/2037	4.30%	4.40%	99.117%
D.A. Davidson & Co.	2/1/2039	4.45%	4.55%	99.009%
Isaak Bond Investments	2/1/2041	4.55%	4.65%	98.912%
Celadon Financial Group, LLC	2/1/2042	4.60%	4.70%	98.868%
BOK Financial Securities, Inc.	2/1/2043	4.65%	4.75%	98.827%
Alliance Global Partners	2/1/2044	4.70%	4.80%	98.788%
First Southern Securities, LLC	2/1/2045	4.75%	4.85%	98.753%
Midland Securities Limited	2/1/2046	4.80%	4.90%	98.719%
Dinosaur Securities, LLC				
Mountainside Securities LLC				
StoneX Financial, Inc.				
United Bankers' Bank				
Central States Capital Markets, LLC				
Blaylock Van, LLC				
Carty, Harding & Hearn, Inc.				
Caldwell Sutter Capital, Inc.				
ZIONS BANK, division of ZB, N.A.				

Purchase Price: \$3,244,395.85*

Net Interest Cost: \$1,898,250.31*

TIC: 4.6702%*

* Subsequent to bid opening, the par amount decreased to \$3,210,000; and the price, net interest cost, and true interest cost have changed to \$3,212,634.74, \$1,839,654.04, and 4.6607%, respectively.

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EXHIBIT B
FORM OF BOND

No. R-_____ UNITED STATES OF AMERICA \$_____
STATE OF MINNESOTA
COUNTY OF HENNEPIN
CITY OF BLOOMINGTON

TAXABLE GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BOND
SERIES 2025D

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
____%	February 1, 20__	November 20, 2025	

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

The City of Bloomington, Minnesota, a duly organized and existing home rule city and political subdivision of the State of Minnesota (the “City”), acknowledges itself to be indebted and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the principal sum specified above on the maturity date specified above, with interest thereon from the date hereof at the annual interest rate per annum specified above (calculated on the basis of a 360 day year of twelve 30 day months), payable February 1 and August 1 in each year, commencing August 1, 2026, to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. The interest hereon and, upon presentation and surrender hereof, the principal hereof are payable in lawful money of the United States of America by check or draft of the City, acting as its own Bond Registrar, Authenticating Agent, and Paying Agent, or its designated successor under the Resolution described herein. For the prompt and full payment of such principal and interest, as the same respectively become due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

The City may elect on February 1, 2035, and on any date thereafter, to prepay Bonds due on or after February 1, 2036. Redemption may be in whole or in part and if in part, at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City shall notify The Depository Trust Company (“DTC”) of the particular amount of such maturity to be prepaid. DTC shall determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant shall then select by lot the beneficial ownership interests in such maturity to be redeemed. Prepayments shall be at a price of par plus accrued interest to the date of redemption.

The Bonds maturing on February 1, 2037, February 1, 2039, and February 1, 2041 shall hereinafter be referred to collectively as the “Term Bonds.” The principal amount of the Term Bonds subject to mandatory sinking fund redemption on any date may be reduced through earlier optional redemptions, with any partial redemptions of the Term Bonds credited against future mandatory sinking

fund redemptions of such Term Bonds in such order as the City shall determine. The Term Bonds are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on February 1 of the following years and in the principal amounts as follows:

Sinking Fund Installment Date

<u>February 1, 2037 Term Bond</u>	<u>Principal Amount</u>
2036	\$155,000
2037*	160,000

** Maturity*

<u>February 1, 2039 Term Bond</u>	<u>Principal Amount</u>
2038	\$170,000
2039*	175,000

** Maturity*

<u>February 1, 2041 Term Bond</u>	<u>Principal Amount</u>
2040	\$185,000
2041*	190,000

** Maturity*

This Bond is one of the Taxable General Obligation Capital Improvement Plan Bonds, Series 2025D (the “Bonds”), issued by the City in the original aggregate principal amount of \$3,210,000, all of like original date and tenor, except as to number, maturity date, redemption privilege, and interest rate, issued in accordance with the terms of the resolution adopted by the City Council of the City on October 20, 2025 (the “Resolution”), for the purpose of providing money to defray the expenses incurred and to be incurred in making certain capital improvements, pursuant to and in full conformity with the home rule charter of the City and the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 475, as amended, specifically Section 475.521. The principal hereof and interest hereon are payable from ad valorem taxes, as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred. The full faith and credit of the City are irrevocably pledged for payment of this Bond and the City Council has obligated itself to levy additional ad valorem taxes on all taxable property in the City in the event of any deficiency in taxes pledged, which additional taxes may be levied without limitation as to rate or amount. The Bonds of this series are issued only as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof of single maturities.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Bond Registrar, by the registered owner hereof in person or by its attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or the owner’s attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City shall cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee, or governmental charge required to be paid with respect to such transfer or exchange.

The City and the Bond Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Charter, the City Code, and the Constitution and laws of the State of Minnesota to be done, to happen, and to be performed preliminary to and in the issuance of this Bond have been done, have happened, and have been performed in regular and due form, time, and manner; that prior to the issuance of this Bond the Council of the City has provided funds for the payment of principal and interest on the Bonds of this issue as the same become due; but the full faith and credit of the City is pledged for their payment and additional taxes shall be levied, if required for such purpose, without limitation as to the rate of amount; and that this Bond, together with all other indebtedness of the City outstanding on the date of its issuance, does not exceed any constitutional, statutory, or Charter limitation thereon.

This Bond is not valid or obligatory for any purpose or entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon has been executed by the Bond Registrar by manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Bloomington, Hennepin County, Minnesota, by its City Council, has caused this Bond to be executed on its behalf by the facsimile or manual signatures of the Mayor and City Manager and has caused this Bond to be dated as of the date set forth below.

Dated: November 20, 2025

CITY OF BLOOMINGTON, MINNESOTA

Mayor

City Manager

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered in accordance with the Resolution mentioned within.

CITY OF BLOOMINGTON, MINNESOTA

Chief Financial Officer, as Bond Registrar

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the within Bond and all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premise.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signatures Program ("MSP") or other such "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.

The Bond Registrar shall not effect transfer of this Bond unless the information concerning the assignee requested below is provided.

Name and Address: _____

(Include information for all joint owners if this Bond is held by joint account.)

Please insert social security or other identifying number of assignee

PROVISIONS AS TO REGISTRATION

The ownership of the principal of and interest on the within Bond has been registered on the books of the Bond Registrar in the name of the person last noted below.

Date of Registration

Registered Owner

Signature of
Chief Financial Officer

Cede & Co.
Federal ID #13-2555119

EXHIBIT C **TAX LEVY SCHEDULE**

Post-Sale Tax Levies

Payment Date	Principal	Coupon	Interest	Total P+I	105% Overlevy	Levy Amount	LevyCollection Year
02/01/2027	70,000.00	5.000%	181,331.28	251,331.28	263,897.84	263,897.84	2025/2026
02/01/2028	105,000.00	5.000%	147,960.00	252,960.00	265,608.00	265,608.00	2026/2027
02/01/2029	110,000.00	5.000%	142,710.00	252,710.00	265,345.50	265,345.50	2027/2028
02/01/2030	115,000.00	5.000%	137,210.00	252,210.00	264,820.50	264,820.50	2028/2029
02/01/2031	120,000.00	5.000%	131,460.00	251,460.00	264,033.00	264,033.00	2029/2030
02/01/2032	130,000.00	5.000%	125,460.00	255,460.00	268,233.00	268,233.00	2030/2031
02/01/2033	135,000.00	5.000%	118,960.00	253,960.00	266,658.00	266,658.00	2031/2032
02/01/2034	140,000.00	5.000%	112,210.00	252,210.00	264,820.50	264,820.50	2032/2033
02/01/2035	150,000.00	5.000%	105,210.00	255,210.00	267,970.50	267,970.50	2033/2034
02/01/2036	155,000.00	4.300%	97,710.00	252,710.00	265,345.50	265,345.50	2034/2035
02/01/2037	160,000.00	4.300%	91,045.00	251,045.00	263,597.25	263,597.25	2035/2036
02/01/2038	170,000.00	4.450%	84,165.00	254,165.00	266,873.25	266,873.25	2036/2037
02/01/2039	175,000.00	4.450%	76,600.00	251,600.00	264,180.00	264,180.00	2037/2038
02/01/2040	185,000.00	4.550%	68,812.50	253,812.50	266,503.13	266,503.13	2038/2039
02/01/2041	190,000.00	4.550%	60,395.00	250,395.00	262,914.75	262,914.75	2039/2040
02/01/2042	200,000.00	4.600%	51,750.00	251,750.00	264,337.50	264,337.50	2040/2041
02/01/2043	210,000.00	4.650%	42,550.00	252,550.00	265,177.50	265,177.50	2041/2042
02/01/2044	220,000.00	4.700%	32,785.00	252,785.00	265,424.25	265,424.25	2042/2043
02/01/2045	230,000.00	4.750%	22,445.00	252,445.00	265,067.25	265,067.25	2043/2044
02/01/2046	240,000.00	4.800%	11,520.00	251,520.00	264,096.00	264,096.00	2044/2045
Total	\$3,210,000.00	-	\$1,842,288.78	\$5,052,288.78	\$5,304,903.22	\$5,304,903.22	-



Request for Council Action

Originator Finance	Item 4.2 Resolution Awarding the Sale of GO PIR Fund Bonds of 2025, Series 57
Agenda Section HEARINGS, RESOLUTIONS, AND ORDINANCES	Date October 20, 2025

Requested Action:

Motion by _____, seconded by _____ to adopt Resolution No. 2025-____ authorizing the sale of General Obligation Permanent Improvement Revolving Fund Bonds of 2025, Series 57, in the original aggregate principal amount of \$2,900,000; fixing their form and specifications; directing their execution and delivery; and providing for their payment.

Item created by: Briana Eicheldinger, Finance

Item presented by: Lori Economy-Scholler, CFO

Description:

Request:

Council is asked to award the sale of General Obligation Permanent Improvement Revolving Fund Bonds of 2025, Series 57

Background:

On Sept. 15, 2025, the City Council adopted Ordinance No. 2025-18 and Resolution 2025-127, authorizing the sale of its General Obligation Permanent Improvement Revolving Fund Bonds of 2025, Series 57.

Proceeds of the Bonds will be used to finance the following:

- improvements described in the City's Pavement Management Program, including surfacing, curb and gutter and other related improvements and costs; and
- any other local improvements authorized by applicable law and approved by the City Manager, or any Interim City Manager serving in the capacity thereof.

NOTE: Figures on the Award Resolution will be updated on Monday, October 20th after the sale and will be distributed the evening of the Council meeting.

Julie Eddington, Bond Attorney from Kutak Rock and Elizabeth Bergman, Municipal Advisor with Baker Tilly, LLC. will be available.

Attachments:

[Presentation](#)
[Resolution_final](#)



Resolution Awarding the Sale of GO PIR Fund Bonds of 2025, Series 57

Lori Economy-Scholler, CFO

October 20, 2025



Bonding Timeline



September 15, 2025

- Public Hearing advertised for \$7,000,000
- Set Sale of Bonds \$4,545,000
\$494,640: net of assumed 35% prepayment of assessments

September 30, 2025

- Credit Rating calls (all three agencies)

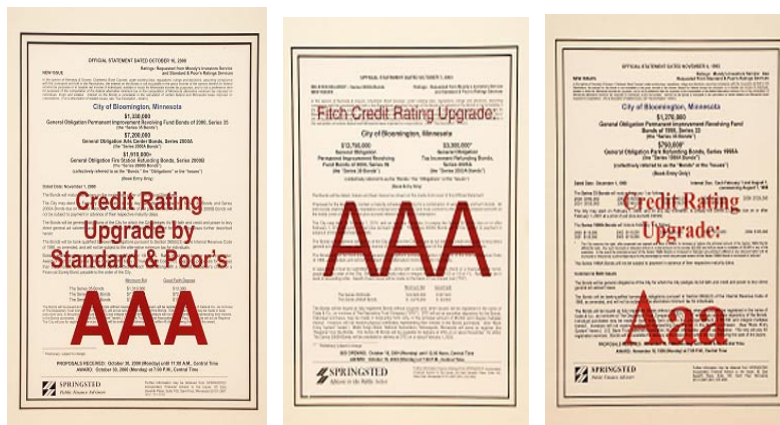
October 20, 2025

- PIR Bonds to be Sold and Low Bidder Awarded

November 20, 2025

- Proceeds are received

Financial Sustainability



One of 35 municipal governments of more than 19,500 nationwide



Credit Rating Highlights



Fitch

- Score high on revenue control assessment and budgetary flexibility in the Financial Resilience Components

Moody's

- Strong and growing full value per capita
- Consistently strong financial profile
- Relatively low long-term liabilities ratio

S&P

- Robust and expanding economy... with a favorable location
- Consistently positive general fund performance, supported by active and forward-looking financial planning
- Comprehensive and prudent approach to financial management



General Obligation PIR Bonds Pavement Management Reconstruction



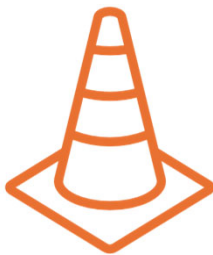
- Bonding project maximum was \$4,545,000 including cost of issuance and related debt service reserves
- 10-year term
- Property tax revenues and assessments will pay the debt service on these bonds
- Final amount \$2,900,000
- Winning bid: Huntington Securities, Inc.
- Five bids received
- True Interest Cost (TIC): 2.80%



Motions



Motion by _____, seconded by _____ to adopt Resolution No. 2025-____ authorizing the sale of General Obligation Permanent Improvement Revolving Fund Bonds of 2025, Series 57, in the original aggregate principal amount of \$2,900,000; fixing their form and specifications; directing their execution and delivery; and providing for their payment.



Thank you

RESOLUTION NO. 2025-_____

**AUTHORIZING THE SALE OF GENERAL OBLIGATION PERMANENT
IMPROVEMENT REVOLVING FUND BONDS OF 2025, SERIES 57, IN THE
ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,900,000; FIXING
THEIR FORM AND SPECIFICATIONS; DIRECTING THEIR EXECUTION
AND DELIVERY; AND PROVIDING FOR THEIR PAYMENT**

BE IT RESOLVED by the City Council of the City of Bloomington, Minnesota (the “City”) as follows:

Section 1. Findings; Determinations.

Section 1. Authorization for Sale of Bonds. Pursuant to a resolution adopted by the City Council on September 15, 2025, the City authorized the sale of its General Obligation Permanent Improvement Revolving Fund Bonds of 2025, Series 57 (the “Bonds”), pursuant to Minnesota Statutes, Chapters 429 and 475, as amended (the “Act”), Section 7.14 of the Bloomington City Charter (the “City Charter”), the Ordinance No. 32 on June 26, 1961 (“Ordinance No. 32”), incorporated into the Bloomington City Code (the “City Code”) as Chapter 2 [Administration], Article III [Funds], Division C [Permanent Improvement Revolving Fund], and Ordinance No. 2025-18, adopted on September 15, 2025, to (i) increase the money required for the operation of the City’s Permanent Improvement Revolving Fund (the “PIR Fund”); (ii) provide therein sufficient money to pay the costs of various local improvements now in the process of construction or about to be undertaken, which are or will be payable wholly or partly from special assessments; and (iii) pay the costs of issuance of the obligations proposed to be issued for such purposes. Proceeds of the Bonds will be used to finance the following improvements (collectively, the “Improvements”): (i) improvements described in the City’s Pavement Management Program, including surfacing, curb and gutter and other related improvements and costs; and (ii) any other local improvements authorized by applicable law and approved by the City Manager, or any Interim City Manager serving in the capacity thereof (collectively, the “City Manager”).

Section 2. Sale of Bonds.

2.01. Award to the Purchaser and Interest Rates. A tabulation of the offers received for the purchase of the Bonds is attached hereto as EXHIBIT A. The proposal of Huntington Securities, Inc., Chicago, Illinois (the “Purchaser”), to purchase the Bonds is hereby found and determined to be a reasonable offer and is hereby accepted, the proposal being to purchase the Bonds at a price of \$3,215,399.68 (par amount of \$2,900,000.00, plus original issue premium of \$327,037.00, less underwriter’s discount of \$11,637.32), plus accrued interest, if any, to date of delivery for Bonds bearing interest as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Interest Rate</u>
2027	5.000%	2032	5.000%
2028	5.000	2033	5.000
2029	5.000	2034	5.000
2030	5.000	2035	5.000
2031	5.000	2036	4.000

True interest cost: 2.8047960%

2.02. Terms and Principal Amount of the Bonds. The City shall forthwith issue and sell the Bonds in the total principal amount of \$2,900,000, pursuant to the Act, the City Code, and the City Charter, originally dated November 20, 2025, in the denomination of \$5,000 or any integral multiple thereof, numbered R-1 and upward, bearing interest as above set forth, and maturing on February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$220,000	2032	\$295,000
2028	255,000	2033	305,000
2029	265,000	2034	320,000
2030	275,000	2035	335,000
2031	285,000	2036	345,000

2.03. Purchase Contract. Any amount paid by the Purchaser over the minimum purchase price shall be credited to the PIR Fund or deposited in the Debt Service Account hereinafter created as determined by the Chief Financial Officer of the City in consultation with the City's municipal advisor. The Chief Financial Officer is directed to deposit the good faith check or deposit of the Purchaser, pending completion of the sale of the Bonds, and to return the good faith deposits of the unsuccessful proposers. The Mayor and the City Manager are directed to execute a contract with the Purchaser on behalf of the City.

2.04. Optional Redemption. The City may elect on February 1, 2034, and on any day thereafter to prepay Bonds due on or after February 1, 2035. Redemption may be in whole or in part and, if in part, at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City shall notify DTC (as defined in Section 8 hereof) of the particular amount of such maturity to be prepaid. DTC shall determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant shall then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest to the date of redemption.

Section 3. Form; Registration.

3.01. Registered Form. The Bonds shall be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Each Bond shall be dated as of the last interest payment date preceding the date of authentication to which interest on the Bond has been paid or made available for payment, unless (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case the Bond shall be dated as of the date of authentication, or (ii) the date of authentication is prior to the first interest payment date, in which case the Bond shall be dated as of the date of original issue. The interest on the Bonds shall be payable on February 1 and August 1 in each year, commencing August 1, 2026, to the registered owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not that day is a business day.

3.03. Registration. The Chief Financial Officer shall act as the initial bond registrar, transfer agent, and authenticating agent (the "Registrar") with respect to the Bonds and shall also act as the initial paying agent (the "Paying Agent") with respect to the Bonds. At any time, the City may appoint a

separate entity as Registrar and Paying Agent. The effect of registration and the rights and duties of the City and the Registrar with respect thereto are as follows:

(a) Register. The Registrar shall keep a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred, or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until that interest payment date.

(c) Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount and maturity as requested by the registered owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon a transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums to be paid.

(g) Taxes, Fees, and Charges. The Registrar may impose a charge upon the owner thereof for every transfer or exchange of Bonds, sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. If a Bond becomes mutilated or is destroyed, stolen, or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date, and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen, or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen, or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen, or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds

so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation must be given to the City. If the mutilated, destroyed, stolen, or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

(i) Redemption. In the event any of the Bonds are called for redemption, notice thereof identifying the Bonds to be redeemed shall be given by the Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than sixty (60) and not less than thirty (30) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books kept by the Registrar and by publishing the notice if required by law. Failure to give notice by publication or by mail to any registered owner, or any defect therein, shall not affect the validity of the proceedings for the redemption of Bonds. Bonds so called for redemption shall cease to bear interest after the specified redemption date, provided that the funds for the redemption are on deposit with the place of payment at that time.

3.04. Appointment of Initial Registrar and Paying Agent. Pursuant to Section 3.03 hereof, the Chief Financial Officer is the initial Registrar and the initial Paying Agent for the Bonds. If the City appoints a separate entity as Registrar or as Paying Agent, the Mayor and the City Manager are authorized to execute and deliver, on behalf of the City, a contract with the Registrar or a contract with the Paying Agent. Upon merger or consolidation of the Registrar or the Paying Agent with another corporation, if the resulting corporation is a bank or trust company authorized by law to conduct such business, the resulting corporation shall be authorized to act as successor Registrar or successor Paying Agent. The City agrees to pay the reasonable and customary charges of the Registrar and the reasonable and customary charges of the Paying Agent for the respective services performed. The City reserves the right to remove the Registrar upon thirty (30) days' notice, and upon the appointment of a successor Registrar, the predecessor Registrar shall deliver the bond register to the successor Registrar. The City reserves the right to remove the Paying Agent upon thirty (30) days' notice and to appoint a successor Paying Agent. At any time a separate entity other than the Chief Financial Officer acts as Paying Agent, on or before each principal or interest due date, without further order of the City Council, the Chief Financial Officer shall transmit to the Paying Agent money sufficient for the payment of all principal and interest then due on the Bonds.

3.05. Execution, Authentication, and Delivery. The Bonds shall be prepared under the direction of the Chief Financial Officer and shall be executed on behalf of the City by the signatures of the Mayor and the City Manager, provided that all signatures may be printed, engraved, or lithographed facsimiles of the originals. If an officer whose signature or a facsimile of whose signature appears on the Bonds ceases to be such officer before the delivery of any Bond, that signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless and until a certificate of authentication on the Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. When the Bonds have been so prepared, executed, and authenticated, the Chief Financial Officer shall deliver the same to the Purchaser thereof upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

Section 4. Form of Bonds.

4.01. Form of Bonds. The Bonds shall be printed or typewritten in substantially the form attached hereto as EXHIBIT C.

4.02. Bond Counsel Opinion. The City Manager shall obtain a copy of the approving legal opinion of Kutak Rock LLP, Minneapolis, Minnesota ("Bond Counsel"), and cause the opinion to accompany the delivery of the Bonds.

Section 5. Payment; Security; Pledges; and Covenants.

5.01. PIR Fund. The City shall maintain and keep the PIR Fund. Proceeds of the Bonds, less the appropriations made in Section 5.02 hereof, shall be deposited in the PIR Fund and applied to the payment of the Improvements and costs of issuance of the Bonds. Prepayments of special assessments imposed with respect to the Improvements, at the election of the City, may be deposited in the PIR Fund and used to pay the costs of the Improvements. The Chief Financial Officer may adjust the amounts to be deposited in the PIR Fund and the amount to be deposited in the Debt Service Account (hereinafter defined) in the event it is determined that such adjustments are appropriate to reflect the actual capital costs of the Improvements to be funded from the proceeds of the Bonds and to ensure that the Debt Service Account is appropriately funded.

5.02. Debt Service Account. Principal of and interest on the Bonds shall be paid from the General Obligation Permanent Improvement Revolving Fund Bonds of 2025, Series 57 Debt Service Account (the "Debt Service Account") hereby established in the Permanent Improvement Revolving Fund Sinking Fund established under Section 2.63 of the City Code (the "Sinking Fund"). The Debt Service Account shall be maintained in the manner herein specified until all of the Bonds and the interest thereon have been fully paid.

To the Debt Service Account there is hereby pledged and irrevocably appropriated and there shall be credited (i) special assessments levied and collected on property specially benefited from the Improvements financed with the proceeds of the Bonds (the "Assessments"); (ii) ad valorem taxes hereinafter levied for the payment of the Bonds and interest thereon (the "Taxes"); (iii) all investment earnings on funds in the Debt Service Account; (iv) amounts over the minimum purchase price paid by the Purchaser, to the extent designated for deposit in the Debt Service Fund in accordance with Section 2.03 hereof; and (v) any and all other money which is properly available and is appropriated by the City Council to the Debt Service Account. The Chief Financial Officer shall make such adjustments to the amounts to be deposited in the Debt Service Account as are deemed by the Chief Financial Officer to be necessary or appropriate. The amount of any surplus remaining in the Debt Service Account when the Bonds and interest thereon are paid shall be applied as provided in Section 475.61, subdivision 4 of the Act. As the Assessments and Taxes levied to pay the Bonds are collected, the proceeds shall be immediately transferred to the Debt Service Account and it is hereby determined that such money shall not then be required for other purposes of the PIR Fund and shall be available for payment of such principal and interest with respect to the Bonds.

5.03. Pledge of Tax Levy. In order to pay a portion of the principal of and interest on the Bonds, there is hereby levied upon all of the taxable property of the City a direct, annual ad valorem tax, which shall be collectible with other taxes in the years and amounts set forth in EXHIBIT C attached hereto. The Taxes shall be irrevocable as long as any of the Bonds are outstanding and unpaid; provided that the City reserves the right and power to reduce the levies in the manner and to the extent provided in Section 475.61 of the Act.

5.04. General Obligation Pledge. The full faith and credit of the City is pledged for payment of the principal of and interest on the Bonds, and the City Council covenants that it shall levy additional ad valorem taxes at any future time if it appears that the amounts herein pledged will not be sufficient to meet all such payments of principal of and interest on the Bonds when due. If a payment of principal or interest on the Bonds becomes due when there is not sufficient money in the Debt Service Account to pay the same, the Chief Financial Officer shall pay such principal or interest from the general fund of the City, and the general fund shall be reimbursed for those advances out of the proceeds of the Assessments and Taxes, when collected.

5.05. Certification to Debt Service Account Amount. It is hereby determined that the estimated collections of the foregoing Assessments and Taxes will produce at least five percent (5%) in excess of the amount needed to meet when due the principal and interest payments on the Bonds. The tax levy herein provided shall be irrevocable until all of the Bonds are paid, provided that the City Manager shall annually, at the time the City makes its tax levies, certify to the Auditor/Treasurer of Hennepin County, Minnesota (the "County Auditor/Treasurer") the amount available in the Debt Service Account to pay principal and interest due during the ensuing year, and the County Auditor/Treasurer shall thereupon reduce the levy collectible during such year by the amount so certified.

5.06. Covenants Regarding the Bonds. It is hereby determined that the Improvements will directly and indirectly benefit abutting property, and the City hereby covenants with the holders from time to time of the Bonds as follows:

(a) The City has caused or will cause the Assessments for the Improvements to be promptly levied so that the first installment will be collectible not later than 2026. The City will take all steps necessary to assure prompt collection, and the levy of the Assessments is hereby authorized. The City Council will cause to be taken with due diligence all further actions that are required for the construction of each Improvement financed wholly or partly from the proceeds of the Bonds, and will take all further actions necessary for the final and valid levy of the Assessments and the appropriation of any other funds needed to pay the Bonds and interest thereon when due.

(b) In the event of any current or anticipated deficiency in Assessments and Taxes, the City Council will levy additional ad valorem taxes in the amount of the current or anticipated deficiency.

(c) The City will keep complete and accurate books and records showing receipts and disbursements in connection with the Improvements, Assessments collected and Taxes levied therefor and other funds appropriated for their payment, collections thereof and disbursements therefrom, monies on hand and the balance of unpaid Assessments.

(d) The City will cause its books and records to be audited at least annually and will furnish copies of such audit reports to any interested person upon request.

(e) At least twenty percent (20%) of the cost of the Improvements described herein will be specially assessed against benefited properties.

5.07. Filing of Resolution. Bond Counsel is authorized and directed to file a certified copy of this resolution with the County Auditor/Treasurer, on behalf of the City, and to obtain the certificate required by Section 475.63 of the Act.

Section 6. Authentication of Transcript.

6.01. Proceedings and Records. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser and to the attorneys approving the Bonds certified copies of proceedings and records of the City relating to the Bonds and to the financial condition and affairs of the City, and such other certificates, affidavits, and transcripts as may be required to show the facts within their knowledge or as shown by the books and records in their custody and under their control, relating to the validity and marketability of the Bonds and such instruments, including any heretofore furnished, shall be deemed representations of the City as to the facts stated therein.

6.02. Official Statement. In connection with the sale of the Bonds, the officers or employees of the City are authorized and directed to cooperate with the Municipal Advisor and participate in the preparation of an official statement for the Bonds and to deliver it on behalf of the City upon its completion. The Mayor, the City Manager, and the Chief Financial Officer are hereby authorized and directed to certify that they have examined the Official Statement so prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is, as of the date thereof, a complete and accurate representation of the facts and representations made therein as it relates to the City.

6.03. Other Certificates. The Mayor, the City Manager, and the Chief Financial Officer are hereby authorized and directed to furnish to the Purchaser at the closing such certificates as are required as a condition of sale. Unless litigation shall have been commenced and be pending questioning the Bonds or the organization of the City or incumbency of its officers, at the closing the Mayor, the City Manager, and the Chief Financial Officer shall also execute and deliver to the Purchaser a suitable certificate as to absence of material litigation, and the Chief Financial Officer shall also execute and deliver a certificate as to payment for and delivery of the Bonds.

6.04. Electronic Signatures. The electronic signature of the Mayor, the City Manager, the Chief Financial Officer, and/or the Secretary to the City Council to this resolution and to any certificate authorized to be executed hereunder shall be as valid as an original signature of such party and shall be effective to bind the City thereto. For purposes hereof, (i) “electronic signature” means (a) a manually signed original signature that is then transmitted by electronic means or (b) a signature obtained through DocuSign or a similarly digitally auditable signature gathering process; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message.

Section 7. Tax Covenants.

7.01. Tax Exemption. The City shall comply with all the necessary requirements set forth in the Code, and to take all necessary actions (or decline to take prohibited actions) to ensure that interest on the Bonds shall not be includable in gross income for federal income tax purposes under Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable Treasury Regulations promulgated thereunder (the “Regulations”). The City covenants and agrees with the holders from time to time of the Bonds that it shall not take or permit to be taken by any of its officers, employees, or agents any action which would cause interest on the Bonds to become includable in gross income for federal income tax purposes under applicable provisions of the Code and the Regulations in effect at the time of such actions, and that it shall take, or cause its officers, employees, and agents to take, all affirmative actions within its power that may be necessary to ensure that interest on the Bonds shall not become includable in gross income for federal income tax purposes under the Code and the Regulations, as presently existing or as hereafter amended and made applicable to the Bonds.

7.02. Tax Certificate. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income of the interest on the Bonds under Section 103 of the Code including, without limitation, requirements relating to temporary periods for investments and limitations on amounts invested at a yield greater than the yield on the Bonds. The Mayor, the City Manager, and the Chief Financial Officer, being officers of the City charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code and applicable Regulations stating the facts, estimates, and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the “gross proceeds” of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of the Code and the Regulations. The City acknowledges that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents, and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, unless the Bonds qualify for an exception from the rebate requirement in accordance with one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no “gross proceeds” of the Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

7.03. Private Activity Bond Covenant. The City further covenants not to use the proceeds of the Bonds or the facilities financed with proceeds of the Bonds in such a manner as to cause the Bonds to be deemed to constitute “private activity bonds,” within the meaning of Sections 103 and 141 through 150 of the Code and the applicable Regulations promulgated thereunder.

7.04. Federal Procedural Requirements. The City shall use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate any elections or designations made under the provisions of this Section 7.

7.05. Not Qualified Tax-Exempt Obligations. The Bonds are not designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

7.06. Post-Issuance Compliance Policy. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds of the City (the “Policy”), as the Policy currently exists and as it may be amended from time to time, to ensure that the City complies with its post-issuance compliance obligations under applicable provisions of the Code and Regulations with respect to the Bonds. The Policy constitutes the written procedures of the City that were prepared to ensure that all “nonqualified bonds” (as such term is defined in Section 1.141-12 of the Regulations) are remediated according to the requirements under the Code and Regulations. The Policy also constitutes the written procedures of the City that were prepared to monitor the requirements of Section 148 of the Code and the Regulations promulgated thereunder.

Section 8. Book-Entry System; Limited Obligation of City.

8.01. Form and Registration of Bonds. The Bonds shall be issued in the form of a separate single typewritten or printed fully registered Bond for each of the maturities set forth in Section 2.02 hereof. The ownership of each Bond shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, and its successors and assigns (“DTC”). Except as provided in this section, all of the outstanding Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

8.02. The Depository Trust Company. With respect to Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the City, the Registrar, and the Paying Agent shall have no responsibility or obligation to any broker-dealers, banks, and other financial institutions from time to time for which DTC holds Bonds as securities depository (the “Participants”) or to any other person on behalf of which a Participant holds an interest in the Bonds, including but not limited to, any responsibility or obligation with respect to: (i) the accuracy of the records of DTC, Cede & Co., or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other person (other than a registered owner of Bonds, as shown by the registration books kept by the Registrar) of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any Participant or any other person, other than a registered owner of Bonds, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The City, the Registrar, and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bonds, and for all other purposes. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or on the order of the respective registered owners, as shown in the registration books kept by the Registrar, and all such payments shall be valid and effectual to fully satisfy and discharge the City’s obligations with respect to payment of principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of Bonds, as shown in the registration books kept by the Registrar, shall receive a certificated Bond evidencing the obligation of this resolution. Upon delivery by DTC to the City Manager of a written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words “Cede & Co.” shall refer to such new nominee of DTC; and upon receipt of such a notice, the City Manager shall promptly deliver a copy of the same to the Registrar and Paying Agent.

8.03. Representation Letter. The City has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations (the “Representation Letter”) which shall govern payment of principal of, premium, if any, and interest on the Bonds and notices with respect to the Bonds. Any Paying Agent or Registrar subsequently appointed by the City with respect to the Bonds shall agree to take all action necessary for all representations of the City in the Representation Letter with respect to the Registrar and Paying Agent, respectively, to be complied with at all times.

8.04. Transfers Outside Book-Entry System. In the event the City, by resolution of the City Council, determines that it is in the best interests of the persons having beneficial interests in the Bonds that they be able to obtain Bond certificates, the City shall notify DTC, whereupon DTC shall notify the Participants, of the availability through DTC of Bond certificates. In such event the City shall issue, transfer, and exchange Bond certificates as requested by DTC and any other registered owners in accordance with the provisions of this resolution. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, if no successor securities depository is appointed, the City shall issue and the Registrar shall authenticate Bond certificates in accordance with this resolution and the provisions hereof shall apply to the transfer, exchange, and method of payment thereof.

8.05. Payments to Cede & Co. Notwithstanding any other provision of this resolution to the contrary, so long as a Bond is registered in the name of Cede & Co., as nominee of DTC, payments with respect to principal of, premium, if any, and interest on the Bond and all notices with respect to the Bond shall be made and given, respectively, in the manner provided in DTC’s Operational Arrangements, as set forth in the Representation Letter.

Section 9. Continuing Disclosure.

9.01. Execution of Continuing Disclosure Certificate. “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Mayor and City Manager and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

9.02. City Compliance with Provisions of Continuing Disclosure Certificate. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this resolution, failure of the City to comply with the Continuing Disclosure Certificate is not to be considered an event of default with respect to the Bonds; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

Section 10. Defeasance. When all Bonds and all interest thereon have been discharged as provided in this section, all pledges, covenants and other rights granted by this resolution to the holders of the Bonds will cease, except that the pledge of the full faith and credit of the City for the prompt and full payment of the principal of and interest on the Bonds will remain in full force and effect. The City may discharge all Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full. If any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

Passed and adopted this 20th day of October, 2025.

Mayor

Attest:

Secretary

EXHIBIT A

TABULATION OF BIDS



\$3,005,000*

CITY OF BLOOMINGTON, MINNESOTA
GENERAL OBLIGATION PERMANENT IMPROVEMENT REVOLVING FUND BONDS
OF 2025, SERIES 57

Moody's Rating: Aaa
S&P Rating: AAA
Fitch Rating: AAA

Sale Date: October 20, 2025

BBI: 4.78%
Average Maturity: 6.147 Years

Bidder	TIC
Huntington Securities Inc.	2.8099%
FHN Financial Capital Markets	2.8486%
TD Financial Products LLC	2.8584%
Robert W. Baird & Co. Incorporated	2.8708%
Brownstone Investment Group, LLC	2.9095%

Winning Bidder Information	Maturity	Interest Rate	Reoffering Yield	Reoffering Price
HUNTINGTON SECURITIES INC.	2/1/2027	5.00%	2.50%	102.926%
	2/1/2028	5.00%	2.40%	105.528%
	2/1/2029	5.00%	2.40%	107.952%
	2/1/2030	5.00%	2.40%	110.318%
	2/1/2031	5.00%	2.40%	112.629%
	2/1/2032	5.00%	2.50%	114.266%
	2/1/2033	5.00%	2.65%	115.302%
	2/1/2034	5.00%	2.70%	116.807%
	2/1/2035	5.00%	2.80%	116.010%
	2/1/2036	4.00%	3.00%	107.215%

Purchase Price: \$3,334,679.43*
Net Interest Cost: \$555,713.63*
TIC: 2.8099%*

* Subsequent to bid opening, the par amount decreased to \$2,900,000; and the price, net interest cost, and true interest cost have changed to \$3,215,399.68, \$527,017.13, and 2.8047%, respectively.

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EXHIBIT B
FORM OF BOND

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN
CITY OF BLOOMINGTON

No. R-_____ \$ _____

GENERAL OBLIGATION PERMANENT IMPROVEMENT
REVOLVING FUND BOND OF 2025
SERIES 57

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
____%	February 1, 20__	November 20, 2025	

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

The City of Bloomington, Minnesota, a duly organized and existing home rule city and political subdivision of the State of Minnesota (the “City”), acknowledges itself to be indebted and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the principal sum specified above on the maturity date specified above, with interest thereon from the date hereof at the annual interest rate per annum specified above (calculated on the basis of a 360-day year of twelve 30-day months), payable February 1 and August 1 in each year, commencing August 1, 2026, to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. The interest hereon and, upon presentation and surrender hereof, the principal hereof are payable in lawful money of the United States of America by check or draft of the City, acting as its own Bond Registrar, Authenticating Agent, and Paying Agent, or its designated successor under the Resolution described herein. For the prompt and full payment of such principal and interest, as the same respectively become due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

The City may elect on February 1, 2034, and on any date thereafter, to prepay Bonds due on or after February 1, 2035. Redemption may be in whole or in part and if in part, at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City shall notify The Depository Trust Company (“DTC”) of the particular amount of such maturity to be prepaid. DTC shall determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant shall then select by lot the beneficial ownership interests in such maturity to be redeemed. Prepayments shall be at a price of par plus accrued interest to the date of redemption.

This Bond is one of the General Obligation Permanent Improvement Revolving Fund Bonds of 2025, Series 57 (the “Bonds”), issued by the City in the aggregate principal amount of \$2,900,000, all

of like original date and tenor, except as to number, maturity date, redemption privilege, and interest rate, issued in accordance with the terms of the Resolution adopted by the City Council of the City on October 20, 2025, for the purpose of providing money for deposit in the Permanent Improvement Revolving Fund of the City to finance various improvements described in the City's Pavement Management Program, including surfacing, curb and gutter and other related improvements and costs, as authorized by the Code of Ordinances of the City of Bloomington (the "City Code") and under and in full conformity with the home rule charter of the City (the "Charter") and laws of the State of Minnesota, including Minnesota Statutes, Chapters 429 and 475, as amended. The principal hereof and interest hereon are payable from special assessments imposed against parcels specially benefited by the improvements and ad valorem taxes, as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred. The full faith and credit of the City are irrevocably pledged for payment of this Bond and the City Council has obligated itself to levy additional ad valorem taxes on all taxable property in the City in the event of any deficiency, which additional taxes may be levied without limitation as to rate or amount. The Bonds of this series are issued only as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof of single maturities.

This Bond is not a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Bond Registrar, by the registered owner hereof in person or by its attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or the owner's attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City shall cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee, or governmental charge required to be paid with respect to such transfer or exchange.

The City and the Bond Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Charter, the City Code, and the Constitution and laws of the State of Minnesota to be done, to happen, and to be performed preliminary to and in the issuance of this Bond have been done, have happened, and have been performed in regular and due form, time, and manner; that prior to the issuance of this Bond the City Council has provided funds for the payment of principal and interest on the Bonds of this issue as the same become due; but the full faith and credit of the City is pledged for their payment and additional taxes shall be levied, if required for such purpose, without limitation as to the rate or amount; and that this Bond, together with all other indebtedness of the City outstanding on the date of its issuance, does not exceed any constitutional, statutory, or Charter limitation thereon.

This Bond is not valid or obligatory for any purpose or entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon has been executed by the Bond Registrar by manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Bloomington, Hennepin County, Minnesota, by its City Council, has caused this Bond to be executed on its behalf by the facsimile or manual signatures of the Mayor and City Manager and has caused this Bond to be dated as of the date set forth below.

Dated: November 20, 2025

CITY OF BLOOMINGTON, MINNESOTA

Mayor

City Manager

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered in accordance with the Resolution mentioned within.

By _____
Chief Financial Officer, as Bond Registrar

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the within Bond and all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premise.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the

New York Stock Exchange, Inc. Medallion Signatures Program (“MSP”) or other such “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.

The Bond Registrar shall not effect transfer of this Bond unless the information concerning the assignee requested below is provided.

Name and Address: _____

(Include information for all joint owners if this
Bond is held by joint account.)

Please insert social security or other identifying
number of assignee

PROVISIONS AS TO REGISTRATION

The ownership of the principal of and interest on the within Bond has been registered on the books of the Bond Registrar in the name of the person last noted below.

Date of Registration

Registered Owner

Signature of
Chief Financial Officer

Cede & Co.
Federal ID #13-2555119

EXHIBIT C

TAX LEVY SCHEDULE

Post-Sale Tax Levies

Payment Date	Principal	Coupon	Interest	Total P+I	105% Overlevy	Assessment	Levy Amount	Levy/Collection Year
02/01/2027	220,000.00	5.000%	169,466.81	389,466.81	408,940.15	94,984.33	313,955.82	2025/2026
02/01/2028	255,000.00	5.000%	130,550.00	385,550.00	404,827.50	88,982.71	315,844.79	2026/2027
02/01/2029	265,000.00	5.000%	117,800.00	382,800.00	401,940.00	85,709.09	316,230.91	2027/2028
02/01/2030	275,000.00	5.000%	104,550.00	379,550.00	398,527.50	82,435.49	316,092.01	2028/2029
02/01/2031	285,000.00	5.000%	90,800.00	375,800.00	394,590.00	79,161.86	315,428.14	2029/2030
02/01/2032	295,000.00	5.000%	76,550.00	371,550.00	390,127.50	75,888.26	314,239.24	2030/2031
02/01/2033	305,000.00	5.000%	61,800.00	366,800.00	385,140.00	72,614.64	312,525.36	2031/2032
02/01/2034	320,000.00	5.000%	46,550.00	366,550.00	384,877.50	69,341.04	315,536.46	2032/2033
02/01/2035	335,000.00	5.000%	30,550.00	365,550.00	383,827.50	66,067.42	317,760.08	2033/2034
02/01/2036	345,000.00	4.000%	13,800.00	358,800.00	376,740.00	62,793.82	313,946.18	2034/2035
Total	\$2,900,000.00	-	\$842,416.81	\$3,742,416.81	\$3,929,537.65	\$777,978.66	\$3,151,558.99	-



Request for Council Action

Originator Community Development	Item 5.1 Study Item - Missing Middle Housing Phase II
Agenda Section ORGANIZATIONAL BUSINESS	Date October 20, 2025

Requested Action:

No formal motion is required at this time. Staff is seeking Planning Commission, HRA Board, and City Council feedback on proposed performance standard concepts in support of the creation of Missing Middle housing types. If directed by City Council, an Ordinance will be drafted and presented later this year.

Item created by: Dakota Kastenday, Community Development

Item presented by: Dakota Kastenday, Planning Supervisor

Description:

Study examining performance standards for "Missing Middle Housing" types including triplexes, fourplexes, multiplexes, detached townhomes, and cottage courts.

Attachments:

[Staff Report](#)
[Planning Commission Meeting Minutes](#)
[Exhibit A - Summary of project concepts](#)
[Exhibit B - Draft performance standards](#)
[Exhibit C - Comparison table of performance standards](#)
[Exhibit D - Draft definitions](#)
[Exhibit E - Draft code concepts](#)
[Exhibit F - LDR and MDR Parcels](#)
[Exhibit G - R3 R4 RM12 Parcels](#)
[Presentation](#)

GENERAL INFORMATION

Applicant: City of Bloomington

Location: Citywide

Request: Study examining performance standards for "Missing Middle Housing" types including triplexes, fourplexes, multiplexes, detached townhomes, and cottage courts (Missing Middle Housing Phase II).

HISTORY

Planning Commission: 11/07/2024 – Study item discussion held (Case # [PL2024-129](#)).

HRA Board: 11/12/2024 – Study item discussion held (Case # [PL2024-129](#)).

City Council: 12/16/2024 – Study item discussion held (Case # [PL2024-129](#)).

Planning Commission: 04/10/2025 – Public hearing held for Phase I Ordinance (Case # [PL2025-20](#)).

City Council: 05/19/2025 – Phase I Ordinance adopted (Vote 6-0) (Case # [PL2025-20](#)).

CHRONOLOGY

Planning Commission	08/28/2025	Phase II study item held
HRA Board	09/23/2025	Phase II study item held
City Council	10/20/2025	Phase II study item scheduled

STAFF CONTACT

Dakota Kastenday, Planning Supervisor
Phone: (952) 563-8926
E-mail: dkastenday@bloomingtonmn.gov

PROPOSAL

The Missing Middle Housing Study seeks to support the availability of more kinds of housing types in Bloomington. The goal is to encourage the development of housing that is diverse in form and scale beyond what is currently offered on the market.

The proposed study item focuses on establishing definitions and performance standards for various “Missing Middle Housing” types not currently allowed in City Code. The housing types explored in this study include:

- Three-family dwellings/triplexes;
- Fourplexes;
- Multiplexes (5 to 16 attached units);
- Cottage court developments; and
- Detached townhouse developments

Common performance standards reviewed for housing developments include: minimum building setbacks, floor area requirements, lot area requirements, maximum building height, impervious surface coverage, landscaping requirements, off-street parking requirements and zoning approval processes.

The background section of the report provides an overview of what is “Missing Middle Housing” and why it is important for a community like Bloomington to focus on these types of housing. It also provides an outline of relevant land use policies and previous zoning code updates that support Missing Middle Housing.

The analysis section of the report outlines potential performance standard concepts for each Missing Middle Housing type for decision makers to consider. These study sessions are intended to summarize staff’s analysis, discuss options related to the various performance standards, and collect feedback on a preferred alternative. Following the completion of the study sessions, if directed, staff will present an ordinance establishing the performance standards for these housing types based on the guidance received from the Planning Commission, HRA Board, and City Council.

BACKGROUND

The City of Bloomington Planning Division has been formally studying Missing Middle Housing as a topic since late 2023, when it was initially added to the Planning Commission Work Plan. The project was paused a few times while the State Legislature considered amendments to Statewide rules pertaining to zoning and development as part of the 2024 and 2025 Legislative Sessions. The project regained momentum in late 2024 with study sessions with the HRA Board, Planning Commission, and City Council (Case # [PL2024-129](#)). The majority consensus of those study sessions was to continue to develop zoning standards to support Missing Middle Housing.

The project has since been divided into two phases of City Code Amendments. Phase I related to amending existing standards to Missing Middle Housing types already permitted in Bloomington, including accessory dwelling units (ADUs), duplexes and townhouses. The Phase I Ordinance was adopted by the City Council at their May 19, 2025 meeting (Case #[PL2025-20](#)). Phase II now focuses on establishing standards to permit new housing types in the City.

Missing Middle Housing

What is Missing Middle Housing?

In general, “Missing Middle Housing”, also referred as “gentle density housing” or “clustered housing”, refers to housing types that are compatible in form and scale with single-family detached homes. These housing types are in a range that is in the “middle” between single-family homes and large apartment buildings (see Figure 1 below). They are often referred as “missing” because the production of these dwellings was prohibited or difficult to build in single-family zoning districts in many communities since the post-WWII suburban development boom. Still today, production of these housing types has been slow during the post-Great Recession period (see Figure 2 below).

Figure 1: Missing Middle Housing Types

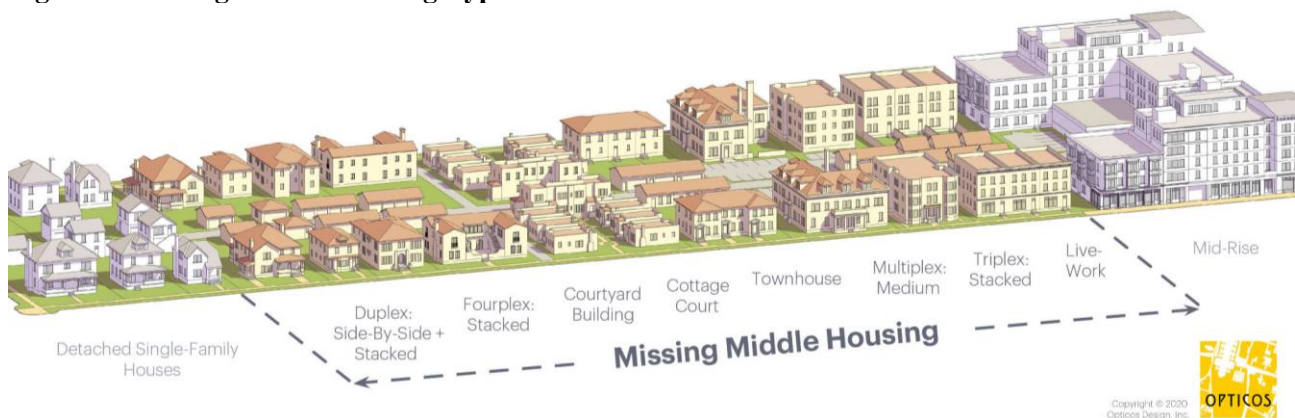


Image Source: Opticos Design, Inc., <https://missingmiddlehousing.com/>

Missing Middle Housing types can include: accessory dwelling units (ADUs), duplexes, triplexes, fourplexes, multiplexes (5-16 units), townhouses, stacked flats, cottage courts and courtyard apartments. New production of these housing types can positively impact housing availability and affordability by reducing housing scarcity and providing more housing options that fit a variety of needs and preferences. According to the National Association of Home Builders, housing with two to four units accounted for less than 11% of total national multi-family housing production between 2000-2010. In Q4 2022, it only accounted for 2.2%.¹

¹ Robert Dietz (2023). “Missing Middle Housing Production Lags.” National Association of Home Builders. <https://eyeonhousing.org/2023/02/missing-middle-housing-production-lags/>

Figure 2: Two to Four Unit Production in the U.S.

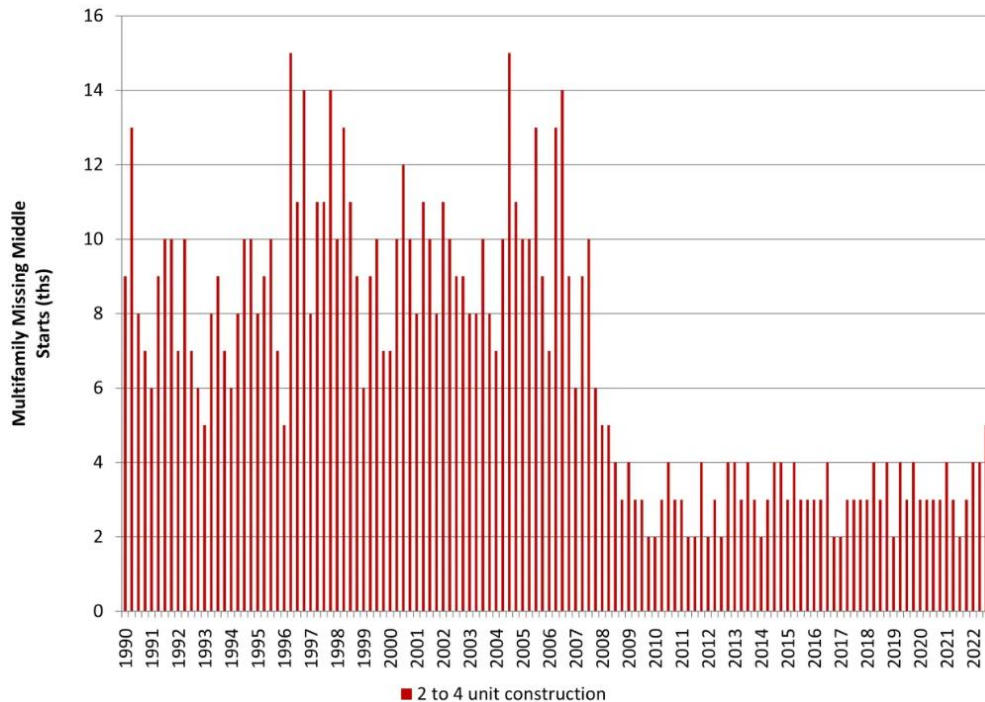


Image Source: National Association of Home Builders, <https://eyeonhousing.org/2023/02/missing-middle-housing-production-lags/>

Why Focus on Missing Middle Housing?

Housing units continue to be undersupplied across Minnesota and the Twin Cities region. The National Low Income Housing Coalition identifies that the Minneapolis-St. Paul-Bloomington-WI metro has an affordable housing gap of around 72,000 units.² The Metropolitan Council forecasts that the Twin Cities region needs 14,268 new housing units each year for the next 20 years³ and The Federal Reserve Bank of Minneapolis set a regional goal of increasing the housing supply by 18,000 units per year.⁴ The development of new housing units, including Missing Middle Housing, is a critical piece to increasing the housing supply in the region, which in turn can help to limit rent growth even when demand for housing is high. For example, while communities across Minnesota saw high rent growth from 2017-2022, Minneapolis was able to limit rent growth despite increased demand for housing because it built more housing.⁵

Early homeownership is one of the primary wealth building tools and it is forecasted that by 2040 homeownership rates will worsen for every age group, especially Black heads of households who

² National Low Income Housing Coalition (2023). "The GAP Report." <https://nlihc.org/gap/state/mn>

³ Family Housing Fund (2019). "Quantifying the Critical Link Between Housing Supply and the Region's Economic Prosperity." <https://www.fhfund.org/wp-content/uploads/2019/05/Family-Housing-Fund-Housing-Economic-Growth.pdf>

⁴ Regional Housing Affordability Dashboard. <https://minneapolisfed.shinyapps.io/ltasca-Housing-Dashboard/>

⁵ Liang, Staveski and Horowitz (2024). "Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability." The Pew Charitable Trusts. <https://www.pew.org/en/research-and-analysis/articles/2024/01/04/minneapolis-land-use-reforms-offer-a-blueprint-for-housing-affordability>

are 47 to 74 years old.⁶ Young adults will more likely be renters in the future regardless of their preference between homeownership and renting. Missing Middle Housing types can offer additional opportunities for homeownership beyond a standard single-family home.

The size of homes has also changed dramatically. Starter homes (or entry-level) homes, defined as less than 1,400 square feet by Freddie Mac, declined in production after the 1970s due to a variety of market factors. In 2019, the median size for homes was 2,300 square feet. Starter homes are important housing stock because they are typically less expensive given they use less land and have less square footage. New Missing Middle Housing can help to fill this gap in starter home production, again creating a variety of housing types for people to choose from. Missing Middle Housing types can help create housing opportunities for single-person households, retirees wanting to stay in their neighborhood and age in place, students, as well as new families.

Missing Middle Housing can provide unique infill housing opportunities for Bloomington that provides more flexibility and choices in housing for residents. Bloomington has low vacancy rates for both renter- and owner-occupied housing. The City also has an increasingly aging population, so providing a variety of housing types for all people at different stages of life should be a priority. Increasing the efficiency of land use and facilitating housing production will be important components to positively impact housing availability and affordability.

Land Use Guidance and Policy **Forward 2040.**

The City's Comprehensive Plan, *Forward 2040*, establishes the future vision for land use and development of the community. Both the Low Density Residential (LDR) and Medium Density Residential (MDR) future land use designations align with and support Missing Middle Housing types. A map of the current LDR and MDR areas of the City is in Exhibit F. The zoning districts that align with these land use designations are summarized in Figure 3. Given the primary focus of these Missing Middle Housing types would be in the R-3, R-4 and RM-12 zoning districts, a map of these current zoning areas is in Exhibit G.

Figure 3: Current Zoning Districts That Align With the LDR and MDR Land Use Designations

Land Use Designation	Zoning District
Low-Density Residential (LDR)	R-1, RS-1, R-1A, R-3
Medium-Density Residential (MDR)	R-3, R-4, RM-12

The Comprehensive Plan also establishes the goals, strategies and actions that should guide City decision-making and policy development. Many of these goals, strategies and actions align with Missing Middle Housing and are summarized below.

⁶ Laurie Goodman and Jun Zhu (2021). "The Future of Headship and Homeownership." The Urban Institute.
<https://www.urban.org/research/publication/future-headship-and-homeownership>

Land Use Element Goal 1: Encourage an efficient, desirable arrangement and distribution of land uses (pg. 2.43)

- Strategy 1.2: Encourage growth to occur in appropriate locations
 - Action 3: Use land use controls to preserve the character of low density neighborhoods.
- Strategy 1.3: Craft the Zoning Ordinance to work hand in hand with the Comprehensive Plan to achieve the City's development vision.
 - Action 1: Continue to update and modernize Bloomington's Zoning Ordinance to align development standards with the City's vision.

Housing Element Goal 1: Keep existing housing in good condition (pg. 3.25)

- Strategy 1.2: Promote reinvestment in existing housing.
- Strategy 1.3: Redevelop functionally obsolete housing.

Housing Element Goal 2: Provide a range of housing choices (pg. 3.26)

- Strategy 2.1: Promote a mix of housing types.
 - Action 2: Consider amendments to official controls and development standards to promote a variety of housing types to meet evolving market demands and reduce barriers to the creation of non-traditional housing types (e.g. accessory dwelling units, smaller lots and/or unit sizes)

Housing Element Goal 3: Provide affordable housing to serve local demand (pg. 3.27)

- Strategy 3.2: Pursue multiple methods to reduce housing costs.
 - Action 3: Support development flexibility or amendments to official controls to foster cost-efficient site and building design and allow increased density in appropriate locations.
- Strategy 3.6: Foster affordable homeownership opportunities

Bloomington. Tomorrow. Together. Strategic Plan.

On April 15, 2024, the City Council adopted Resolution 2024-74, a resolution aligning housing with the City's five-year strategic plan, *Bloomington. Tomorrow. Together*. As part of the resolution, the City and the HRA committed to working to support a range of housing choices. The resolution resolves that the City will regularly review and make strategic amendments to policies that impact housing, including the City Code. Supporting the development of Missing Middle Housing in its various forms would strongly align with the resolution adopted in April of 2024 and the five-year strategic plan overall.

2024 and 2025 Minnesota Legislative Sessions.

The 2024 and 2025 Minnesota Legislative Session saw the introduction of numerous bills that were meant to increase the supply of Missing Middle Housing. Many of the bills would have preempted local standards to ensure all cities provide a minimum level of opportunity for Missing Middle Housing. Proposals included eliminating parking minimums, restricting cities from setting aesthetic mandates beyond State Building Code and the state setting minimum lot sizes and setbacks. Another bill would allow all code complying housing projects to be approved by an administrative process. While these bills were introduced, they were not adopted and it is not clear if they will appear again in the 2026 session. Given the uncertainty, Bloomington should continue to monitor the bills but not delay modification of City standards in the meantime.

Additional Efforts to Support Missing Middle Housing. Over the past five years, City Council has directed several projects to the Community Development Department that have related to Missing Middle Housing. Projects that have been completed include:

- Revisions to accessory dwelling unit standards
- Revisions to single- & two-family dwelling standards
- Revisions to townhouse dwelling standards
- Streamlining zoning approval processes
- Creation of co-living development standards

ANALYSIS

The staff report includes analysis and code concepts of performance standards for triplexes, fourplexes, multiplexes, cottage court developments and detached townhouse developments. Some policy options discussed during initial study sessions have been removed from Phase II as they: 1) may be covered in other projects on the Planning Commission Work Plan, 2) may add redundancy or potential confusion as they are housing types that are covered elsewhere or 3) are proposed to be a separate Phase III project in a future work plan. Exhibit A details the full policy options discussed in previous study sessions and how it relates to the proposed Phase II project.

In considering the zoning performance standards for the various Missing Middle Housing types, it is important to evaluate what will have the best impact to support and add Missing Middle Housing in Bloomington. While performance standards can address legitimate public health, safety and welfare concerns, misuse of these tools can also create exclusionary barriers and affordability challenges. Missing Middle Housing types are intentionally designed to be compatible with single-unit dwellings, so this guidance was in mind when considering standards like minimum lot sizes, parking requirements, setbacks and building height.

It is also important to acknowledge that land use and zoning regulations are just one piece of the puzzle and there are other factors outside of the control of the zoning code that will also influence whether Missing Middle Housing would be developed – i.e. availability of project financing, construction costs, availability of skilled labor, developer interest and capacity, availability of land, infrastructure capacity, building code standards, etc.

Three-Family Dwellings/Triplexes and Fourplexes

A triplex would be considered a single structure that contains three separate dwelling units and a fourplex would be considered a single structure that contains four separate dwelling units. Proposed definitions, performance standards, and example images are provided in Exhibits B through E. In general, staff approached the standards for triplexes and fourplexes to be similar to duplexes, with a few exceptions noted below.

Direction from previous study sessions indicated that triplexes and fourplexes should not be permitted in the R-1 Zoning District, but there was some interest from the City Council to allow these types in the R-3 and R-4 Zoning District. The current proposal would be to permit triplexes in the R-3 Zoning District and fourplexes in the R-3 and R-4 Zoning Districts.

One challenge of this approach, however, is that a rezoning will likely be required for any triplex or fourplex proposal, as the vast majority of current R-3 and R-4 properties are already developed or have a proposal to be developed (see Exhibit G for current R-3, R-4, and RM-12 Zoning District areas). A rezoning is a highly discretionary action by the Planning Commission and City Council that can create uncertainty for applicants, which could deter or limit the number of proposals. The process is also costly and more time-intensive. Concerns around allowing these housing types in the R-1 District relate to the height and bulk of the structures in relation to single-family homes. There are examples of triplexes and fourplexes that are only two stories, which is the maximum height allowed for single-family homes in the R-1 Zoning District. While triplexes and fourplexes are different housing products that can warrant shallower setbacks, if they were to be permitted in the R-1 Zoning District, staff would propose they follow the same setbacks as a single-family home.

To maintain flexibility for Missing Middle Housing in the R-3 and R-4 Zoning Districts, staff would propose to reduce the minimum lot size of R-3 from 20,000 square feet to 17,500 square feet and reduce R-4 from 40,000 square feet to 33,000 square feet. The main rationale is that reducing the lot size can create more opportunities for housing development, while still honoring the density thresholds established for the district. For example, a triplex on a 17,500 square foot lot represents **7.5 units/acre** where the max in R-3 is 8 units/acre ($17,500 \text{ sf} / 43,560 \text{ sf} = 0.4 \text{ acres}$; $3 \text{ units} / 0.4 \text{ acres} = 7.5 \text{ units/acre}$). Staff would also recommend reducing the site width of R-4 from 200 feet to 150 feet. The main rationale is that reducing the minimum lot size allows for a proportional reduction in the lot width. Infill opportunities will likely look at corner lots along collector or arterial roadways. Both property lines along the street must meet this minimum site width requirement, so creating a proportional reduction will help maintain flexibility for more potential sites.

For minimum parking requirements, staff is proposing two spaces per unit, the same standard for single-family dwellings and duplexes. The main difference, however, is staff would propose to not require one of those spaces be enclosed in a garage. An applicant could still provide an attached or detached garage if they wanted to or as market demands, but the proposed direction by staff would be to not require it. If no garage is constructed, the parking area would be required to be “finished” with an improved surface and curb and gutter. It would also be subject to our landscaping and screening standards to help reduce the visual impact of the parking area. Requiring a garage would likely lead to triplexes and fourplexes that are side-by-side, similar to a townhouse structure, which may not work on every site. By not requiring a garage, it would allow more flexibility in the design of the structure to have units be side-by-side and above and below one another to respond to a variety of site contexts.

Staff would also propose to reduce setbacks for the R-3, R-4, and RM-12 zoning districts, as these would be the primary Missing Middle Housing zoning districts. Here again, it is to allow more

flexibility in the location and design of these housing types, while still providing areas for landscape buffers and sufficient open space. A 20-foot setback along the street and a 25-foot rear yard setback are typical setbacks that the City Council has previously approved for townhouse projects through flexibility in our Planned Development process.

Maximum building height is proposed to be addressed in a separate project that is on the 2025 Planning Commission Work Plan. This project is examining the City's Official Height Limit Map, and staff will provide study sessions with the Planning Commission and City Council around height later this fall. The main concern for the Missing Middle Housing project is that there are currently some areas of the City guided Medium-Density Residential (MDR) but are limited to two stories maximum in the height map. This could pose some challenges for triplexes, multiplexes, or detached townhouses that would want to be developed as three stories, which is a fairly standard height for our medium density zoning districts.

As with other multi-family residential uses, Missing Middle Housing performance standards would also be subject to maximum impervious surface coverages, landscape standards, lighting standards, refuse (trash) requirements and stormwater and utility requirements in City Code. These standards would be dictated either by the underlying zoning district or would be the same as our requirements for multiple-family dwellings.

Finally, staff would propose that triplexes and fourplexes be approved through an administrative final site and building plan if the development is code complying. Any flexibility requested from the standards would require a preliminary and final development plan, which is reviewed by the Planning Commission and then approved by the City Council. If a rezoning request was required for a property, that is reviewed by the Planning Commission and then approved by the City Council.

Guiding Questions. Staff propose the following questions for feedback and further guidance on what performance standards to establish for triplexes and fourplexes:

- 1) Should triplexes and/or fourplexes be permitted in the R-1 Zoning District as long as they follow the height, setback and bulk standards of the R-1 Zoning District? Or should these uses just be allowed in the R-3 and R-4 Zoning Districts only?
- 2) Should minimum lot sizes for the R-3 and R-4 Zoning Districts be reduced to support more opportunities for Missing Middle Housing, including triplexes and fourplexes?
- 3) What do you think is an appropriate parking standard for triplexes and fourplexes? - Should they be required to have enclosed parking spaces (i.e. attached or detached garage), or should we allow surface parking to fit site-specific designs? Should the parking minimum be reduced (i.e. 1 space per unit)?
 - a) Should surface parking be allowed between the structure and the street or should it be limited behind the structure? (note regardless of location, it would be subject to screening standards)

Multiplexes

A multiplex would be considered a single structure that contains five to sixteen separate dwelling units. Proposed definitions, performance standards, and example images of a multiplex are provided in Exhibits B through E. In general, staff approached the standards for multiplexes to be similar to multiple-family dwellings, with a few exceptions noted below.

Staff would propose that multiplexes be permitted in the R-4 and RM-12 Zoning Districts. Smaller multiplexes like a “sixplex” or “eightplex” would likely be directed to the R-4 Zoning District and either the LDR or MDR land use guidance, while a multiplex with 10 or more units would be directed to the RM-12 Zoning District and MDR land use guidance. For example, a sixplex on the proposed 33,000 square-foot minimum lot in R-4 would be **8 units/acre** where 12 units/acre is allowed ($33,000 \text{ sf} / 43,560 \text{ sf} = 0.75 \text{ acres}$; $6 \text{ units} / 0.75 \text{ acres} = 8 \text{ units/acre}$). An eightplex on a 33,000 lot would be **11 units/acre**. Multiplexes with 10-16 units would require lots over an acre to maintain the 12 units/acre threshold for RM-12.

For minimum parking requirements, staff would propose multiplexes have the same parking requirements as multiple-family dwellings, which would require 1.6 spaces per studio or 1-bedroom unit and 2 spaces per unit with 2 or more bedrooms. The main differences staff would recommend is to not require additional guest parking or the requirement to have at least one space per unit be enclosed in a garage or structured parking ramp. Again, the goal would be to allow more flexibility in the design of the structure. Any surface parking areas would be required to be “finished” and would be subject to our landscaping and screening standards to reduce the visual impact of the parking area. While requiring a garage or structured parking can be an efficient use of land on a site, it is also more costly to build. Some estimates suggest that a typical surface parking stall can cost between \$5-10,000 per stall to construct, and structured parking can cost \$25-50,000 per stall.⁷ For the small-scale nature of a multiplex, it would likely not make financial sense to pursue a project if enclosed parking was required. The maximum impervious surface coverage requirements (maximums of 70% in R-3 District and 80% in R-4 District) and stormwater management requirements would ensure that a surface parking lot is limited on a site and that open space areas are maintained.

Again, the proposed setbacks in R-4 and RM-12 would be a 20-foot setback from the street, 25-foot rear setback and a 10-foot side yard setback. Staff propose these setbacks to allow more flexibility in site location while still providing landscape buffers and open space. Maximum building height will be addressed in a separate project that is on the 2025 Planning Commission Work Plan. As with other multifamily residential uses, multiplex standards would also be subject to maximum impervious surface coverages, landscape standards, lighting standards, refuse (trash) requirements and stormwater and utility requirements in City Code. These standards would be dictated either by the underlying zoning district or would be the same as our requirements for multiple-family dwellings, with the exception that trash collection could be a detached enclosure instead of an interior trash room.

⁷ Strong Towns (2018). “The Many Costs of Too Much Parking.” <https://www.strongtowns.org/journal/2018/11/20/the-many-costs-of-too-much-parking>

Finally, staff would propose that multiplexes be approved through a final site and building plan if the development is code complying, which would be approved by the Planning Commission. Any flexibility requested from the standards would require a preliminary and final development plan, which is reviewed by the Planning Commission and then approved by the City Council. If a rezoning request was required for a property, that is reviewed by the Planning Commission and then approved by the City Council.

Guiding Questions. Staff propose the following question for feedback and further guidance on what performance standards to establish for multiplexes:

1) What do you think is an appropriate parking standard for multiplexes? - Should they be required to have enclosed parking spaces (i.e. attached or detached garage), or should we allow surface parking to fit site-specific designs? Should the parking minimum be reduced (i.e. 1 space per unit)?

a) Should surface parking be allowed between the structure and the street or should it be limited behind the structure? (note regardless of location, it would be subject to screening standards)

Cottage Court Developments

A cottage court development would consist of multiple detached single-family dwellings (3-16) oriented around a common open space. Proposed definitions, performance standards, and example images of a cottage court development are provided in Exhibits B through E. The key defining features to keep in mind for a cottage court development are:

- Dwellings are oriented around a common open space or “court” instead of towards a street
- Dwellings intentionally have a maximum floor area to keep them smaller and more “cottage-like”

Dwellings can be on their own individual lot or a common lot containing all the detached dwellings. Individual lots would support opportunities for more affordable homeownership. The smaller lots and smaller floor areas help to lower costs and provide more opportunities for affordable dwellings. The common open space is intended to be a space where individuals in the development can more intentionally connect.

Direction from previous study sessions indicated support for cottage courts and detached townhouses in the R-3, R-4, and RM-12 Zoning Districts. There was some mixed interest to allow townhouses in the R-1 Zoning District, which are fairly similar to cottage courts. The current proposal would permit cottage court developments in the R-1, R-3, R-4, and RM-12 Zoning Districts.

Cottage court developments would follow the minimum site area and setback requirements of the underlying zoning district. The setbacks would only apply to the perimeter of the site. Distance between the cottage court dwellings would be a 10-foot minimum and the distance between the

cottage court dwelling and the common open space would be a 10-foot maximum. Each individual cottage dwelling would have a minimum square footage of 500 square feet to a maximum square footage of 1,500 square feet. They would also be required for the “front” of the dwelling to be oriented to the common open space. An internal sidewalk network would be required to connect the dwellings to the open space. Here again, the purpose of this housing type is to intentionally have smaller dwellings on smaller lots, connected to a common community space.

For minimum parking requirements, staff would propose cottage court developments to have 1 space per dwelling. Cottage courts are an intentionally smaller housing product that is intended for smaller households that would likely not house multiple vehicles. Reducing the amount of parking on site would also help maximize the amount of community open space on the site and reduce impervious surface.

Maximum building height will be addressed in a separate project that is on the 2025 Planning Commission Work Plan. Height for a cottage court is not as much a concern as their smaller dwelling size would lead to a single-story (or maybe two-story) structure, which would already be allowed in our current residential zoning districts.

As with other residential uses, cottage court performance standards would also be subject to maximum impervious surface coverages, landscape standards, lighting standards, refuse (trash) requirements and stormwater and utility requirements in City Code. These standards would be dictated either by the underlying zoning district or would be established in their own designated Code section for cottage court developments.

Finally, staff would propose that cottage court developments be approved through a final site and building plan if the development is code complying, which would be approved by the Planning Commission. Any flexibility requested from the standards would require a preliminary and final development plan, which is reviewed by the Planning Commission and then approved by the City Council. If a rezoning request was required for a property, that is reviewed by the Planning Commission and then approved by the City Council.

Guiding Questions. Staff propose the following questions for feedback and further guidance on what performance standards to establish for cottage court developments:

- 1) Should cottage court developments be permitted in the R-1 Zoning District as long as they follow the height, setback and bulk standards of the R-1 Zoning District? Or should these uses just be allowed in the R-3, R-4, and RM-12 Zoning Districts?
- 2) Given their smaller size, what do you think is an appropriate parking standard for cottage court developments?
 - a) Should surface parking be allowed between the structure and the street or should it be limited behind the structure? (note regardless of location, it would be subject to screening standards)

3) Should we also consider allowing cottage dwellings to be attached in a side-by-side manner (max of 2 or 3 units attached) or should they be detached and be more similar to a detached townhouse?

Detached Townhouse Developments

A detached townhouse development would consist of multiple detached single-family dwellings (5-16), each of which is on a lot that is narrower than otherwise permitted for an individual single-family dwelling. Where a cottage court is oriented around a common open space, detached townhouses (sometimes referred to as “villas”) would be oriented towards a public or private street, like a single-family home or attached townhouse. In this case, the key feature here is allowing smaller lots to help make more efficient use of land for infill housing opportunities. Dwellings would typically be on their own individual lot, but in some circumstance may be a common lot containing all the detached dwellings. This housing type is becoming increasingly popular for older residents who desire all essential living space on the main floor less and less property maintenance, but without shared walls or living space with neighbors. Proposed definitions, performance standards, and example images of a detached townhouse are provided in Exhibits B through E. In general, staff approached the standards for detached townhouses to be similar to townhouses and cottage courts, with a few exceptions noted below.

Direction from previous study sessions indicated support for cottage courts and detached townhouses in the R-3, R-4, and RM-12 Zoning Districts. There was some mixed interest to allow townhouses in the R-1 Zoning District, which are fairly similar to detached townhouses. The current proposal would permit detached townhouse developments in the R-1, R-3, R-4, and RM-12 Zoning Districts.

Detached townhouses would follow the minimum site area and setback requirements of the underlying zoning district. The setbacks would only apply to the perimeter of the site. Distance between dwellings would be a 10-foot minimum.

For minimum parking requirements, staff would propose that both detached townhouses and attached townhouses have the same parking requirement. Staff would propose a flat 2 spaces per dwelling unit instead of tiered parking based on the number of bedrooms. An additional 0.5 spaces per unit for guest parking would also be required. Unlike the other Missing Middle Housing types explored in this study, the detached townhouse is the most similar to the single-family home in design, the main difference being it would be on smaller, more narrow lot. An attached 2-car garage is a fairly standard design for a detached or attached townhouse, therefore, staff felt more comfortable requiring a garage space and re-establishing a flat parking standard regardless of the number of bedrooms.

Maximum building height will be addressed in a separate project that is on the 2025 Planning Commission Work Plan. As with other residential uses, detached townhouse standards would also be subject to maximum impervious surface coverages, landscape standards, lighting standards, refuse (trash) requirements and stormwater and utility requirements in City Code. These standards

would be dictated either by the underlying zoning district or would be the same as our requirements for attached townhouses.

Finally, staff would propose that detached townhouses be approved through a final site and building plan if the development is code complying, which would be approved by the Planning Commission. Any flexibility requested from the standards would require a preliminary and final development plan, which is reviewed by the Planning Commission and then approved by the City Council. If a rezoning request was required for a property, that is reviewed by the Planning Commission and then approved by the City Council.

Guiding Questions. Staff propose the following questions for feedback and further guidance on what performance standards to establish for detached townhouse developments:

1) Should cottage court developments be permitted in the R-1 Zoning District as long as they follow the height, setback and bulk standards of the R-1 Zoning District? Or should these uses just be allowed in the R-3, R-4, and RM-12 Zoning Districts?

OUTREACH

Outreach and Notification activities for the subject and broader project have included the following:

- [Let's Talk Bloomington Page](#)
- Developer Focus Groups
- Meetings with Interested Groups

PLANNING COMMISSION REVIEW

The Planning Commission provided feedback to staff's guiding questions in a study session on August 28th. A summary of their comments is provided in Figure 4 below. The minutes from the August 28th Planning Commission meeting are attached for reference. A study session was also held with the Housing and Redevelopment Authority (HRA) Board on September 23rd.

Figure 4: Summary of Planning Commission Feedback to Staff's Guiding Questions

Question	Planning Commission Feedback
Parking – What do you think is an appropriate parking standard for Missing Middle Housing types?	General feedback aligned with Option B to require at least 1 parking space per unit and then let the developer decide if they want to provide more for marketability of the homes. One commissioner supported Option A to have no parking requirement and let the market decide. Other standards could include allowing flexibility for covered parking (carports) if no garage was provided in the development. An additional consideration for staff is that maybe additional guest parking should be required after a certain unit threshold in a larger development (for example, require 1.25 parking spaces when there is more than x amount of units).

Question	Planning Commission Feedback
Zoning Districts – What zoning districts should Missing Middle Housing types be permitted? Should certain types be permitted in R-1?	Planning Commission feedback was more mixed on what zoning districts to allow the various housing types. In general, it seemed there was consensus to allow detached townhomes in R-1 under Option A to have their own design standards. There was openness to allow triplexes and fourplexes in R-1, but it was mixed on whether they should follow the same standards as a single-family home or if they could have their own design standards unique to a triplex or fourplex. There was hesitation from some Commissioners to allow cottage courts in the R-1 zoning district, given the orientation and set up of the homes in relation to the courtyard versus the street. Also, there could be pushback from neighbors that once had a single family home, now have between 2-7 cottages next door depending on lot size and project density. Some other ideas from the discussion were to make cottage courts a conditional use instead of a permitted use. Also, some consideration to ease into allowing these types by focusing on R-3, R-4, and RM-12 first instead of R-1.
Site area and width – Should minimum lot sizes for R-3 and R-4 Zoning Districts be reduced?	General feedback aligned with the staff recommendation to reduce the lot size and lot width for the R-3, R-4, and RM-12 Zoning Districts.
Setbacks – Should setbacks be reduced for Missing Middle Housing types?	General feedback aligned with the staff recommendation to reduce the setbacks for the R-3, R-4, and RM-12 Zoning Districts. One comment was to ensure that the reduction in setbacks doesn't reduce areas for landscaping and doesn't result in more impervious surfaces on the property than what would otherwise be constructed. The maximum impervious surface coverage provision would still apply regardless of the setback of the structure. Landscaping code also requires a 20-foot landscape buffer yard along the street, so the structure setback would not encroach in the front yard landscape area.

HRA BOARD REVIEW

The Housing and Redevelopment Authority (HRA) Board provided feedback to staff's guiding questions in a study session on September 23rd. The HRA Board generally agreed with staff and Planning Commission's recommendation and feedback. The HRA Board felt that 1 parking stall per unit might create challenges for some of the housing types. The HRA Board was more supportive of cottage courts and other Missing Middle Housing types being permitted in the R-1 Zoning District.

RECOMMENDATION

No formal motion is required at this time. Staff is seeking Planning Commission, HRA Board, and City Council feedback on proposed performance standard concepts in support of the creation of Missing Middle housing types. If directed by City Council, an Ordinance will be drafted and presented later this year.



PLANNING COMMISSION SYNOPSIS

Thursday, August 28, 2025

CALL TO ORDER

Chair Phil Koktan called the Planning Commission meeting to order in the City Council Chambers at 6:02 PM.

PLANNING COMMISSIONERS PRESENT: Phil Koktan, Kevin Cunningham, Abdi Isse, Deanna White, Anne Linnee, Jared Munster, and Madeline Summers (in person).

STAFF PRESENT: Nick Johnson, Dakota Kastenday, Emily Hestbech, and Derly Navarro (in person), Julie Long and Kevin Toskey (attending remotely).

Chair Koktan led the attendees in the reciting of *The Pledge of Allegiance*.

ITEM 1 6:02 p.m.

CASE:	#PL2025-102
APPLICANT:	City of Bloomington
REQUEST:	Public Arts Incentives Ordinance

STAFF REPORT:

Hestbech presented the staff report, outlining five proposed zoning code changes:

Code Change 1 introduces a definition for “art structure” as a non-commercial, original freestanding structure intended for artistic or cultural expression, such as sculptures. This creates a foundation for incentives supporting private property art.

Code Change 2 would allow art structures to encroach into required setbacks. Staff proposes uniform setbacks, 10 feet front and rear, 5 feet side, and a 10-foot height maximum for those within setbacks, ensuring visibility from streets and sidewalks. Structures over 7 feet would still require a building permit.

Code Change 3 would permit murals to substitute for ground-level window requirements in Mixed Use Districts, subject to review for size and scale. This expands existing façade exceptions and recognizes murals as eligible permanent art.

Code Change 4 would allow art structures to substitute for up to 25% of required landscaping, reducing tree and shrub counts with approval from the issuing authority. This would join existing exceptions such as fee-in-lieu payments or reductions for mixed-use districts.

Code Change 5 proposes allowing art structures under 10 feet in required landscaping yards (20 feet along streets, 5 feet otherwise). This would clarify that art structures, like rain gardens and bus shelters, can be part of required landscaped areas.

Johnson responded that most citations are tied clearly to the vehicle owner, and Environmental Health staff usually issue warnings first to gain compliance rather than fines. He added that in most cases, the vehicles in question are parked on private property rather than on the street.

Toskey said enforcement usually happens after staff observe the same vehicles for 40–60 days. Violations often occur when driveways lack space, leading to street parking. Staff confirm ownership through the Department of Public Safety and issue 3–4 notices before fines. Most vehicles remain consistently in front of the home or driveway, making violations clear.

Commissioner Isse asked staff to inquire about other cities' requirements.

Chair Koktan reiterated Isse's question to Navarro.

Navarro noted that she will have the data should there be a public hearing.

Commissioner Summers expressed her favor for the more restrictive option.

Navarro presented the fourth question.

Johnson provided context on Navarro's question, specifically on screening during different seasons.

Commissioner Munster suggested exploring whether screening or placement requirements could vary by vehicle size.

Chair Koktan asked Navarro to explain the context of the slide for screening and setback requirements.

Navarro presented an example for RV setbacks. She explained that the moderate option is the current code requirement.

Johnson noted that screening tall recreational vehicles is difficult and costly, which is why current RV standards only require screening 50% of the visible mass.

Commissioner Isse expressed favor for the less restrictive option.

Commissioner White explained that it is subjective and expressed favor for the more moderate option.

A study session will tentatively be held on September 15, 2025, at the City Council, and the item may return to the Planning Commission and will hold a public hearing on October 9, 2025.

ITEM 3

7:40 p.m.

CASE: #PL2025-88

APPLICANT: City of Bloomington

REQUEST: Missing Middle Housing Phase II

STAFF REPORT:

Kastenday presented the staff report on Missing Middle Housing Phase II, which builds on work that began in late 2023 and paused during staff transitions and the 2024–2025 legislative sessions. Phase I was adopted in May 2025, and Phase II now focuses on establishing standards to allow new housing types in Bloomington. The goal is to encourage a broader mix of housing that fits well within low density neighborhoods, expands housing availability and affordability, provides flexibility and choice, supports infill development, increases homeownership opportunities, and enables residents to age in place. The effort aims to create a variety of housing types suitable for people at different stages of life.

He then shared an overview of recently proposed state legislation, which has not passed.

He explained the zoning considerations which consisted of setbacks, density threshold (units per acre), floor area, site area, building height, parking, open space/landscaping/impervious surface.

Kastenday presented guided questions for the Commission’s feedback on Missing Middle Housing Phase II:

First, he asked what an appropriate parking standard should be for these housing types, offering several options (A–E) for consideration.

Second, he asked which zoning districts should allow Missing Middle Housing, including whether certain types should be permitted in R-1, offering several options (A–E) for consideration.

Third, he asked if minimum lot sizes in the R-3 and R-4 zoning districts should be reduced.

Finally, he asked whether setbacks should be reduced for these housing types: R-3, R-4, RM-12.

QUESTIONS AND DISCUSSION:

Commissioner Munster asked if triplexes, fourplexes, and multi-plexes could all be treated the same under the 12-units-per-acre standard.

Kastenday explained the triplex was used as the base example but noted it would be possible to treat all these types the same, with density limits determining outcomes.

Johnson said prior direction supported two units in R-1, while three or more require rezoning to R-3 or greater. He noted staff openness to broader allowances if consistent with the Comp Plan.

Commissioner Munster asked why an R-3 lot limited to three units could not allow six if the 12-units-per-acre standard permits it, and questioned differences between R-3, R-4, and RM-12 allowances.

Johnson said establishing specific use types helps support different standards for each if desired, as small multi-plexes are similar to triplexes, but larger ones (ten units or more) have greater impacts.

Commissioner Isse asked about the People over Parking Act and its effects on front-loaded versus alley-loaded parking.

Kastenday noted that People over Parking would prohibit cities from setting minimum parking requirements, leaving parking decisions to a market-based decision.

Kastenday presented the first question.

Vice Chair Cunningham expressed his favor for a less restrictive option – Option B.

Commissioner Linnee expressed her favor for a less restrictive option – Option B, with the requirement of one spot.

Chair Koktan expressed his favor for a less restrictive option – Option B.

Vice Chair Cunningham suggested that larger projects may benefit from requiring guest or additional parking beyond one space per unit.

Commissioner Isse expressed favor for the least restrictive option – Option A.

Kastenday presented the second question.

Vice Chair Cunningham asked if any feedback tonight would apply to the RS-1 zoning district.

Kastenday explained they are only focusing on R-1.

Commissioner Isse asked for clarification on what was meant by standards that match, referencing Option B as an example.

Kastenday said Option A allows reduced setbacks and taller buildings, while Option B applies R-1 single-family standards to a missing middle type.

Commissioner Isse asked if requiring triplexes or cottage courts to follow R-1 setbacks undermines the purpose of missing middle housing.

Kastenday said views differ on triplexes and asked whether they should match single-family standards or allow more flexibility.

Commissioner Linnee asked if plex units would be individually owned or rentals, supporting both options if owned but recognizing some differences.

Kastenday said plexes and cottage courts could be either owner-occupied or rentals, noting examples of both models and that regulation of ownership type is limited.

Chair Koktan sought verification that attached townhomes are not allowed in R-1.

Kastenday affirmed Koktan.

Johnson said triplexes resemble townhomes, but attached townhouses were not included as a missing middle type, noting more interest in detached townhomes or villas.

Kastenday noted that is not in this proposal – he stated they were open to adding it as a part of the project.

Chair Koktan expressed his favor for Option A. He expressed he was not in favor of Cottage Courts.

Commissioner Isse expressed his favor for Option A. He expressed he is in favor of Cottage Courts.

Vice Chair Cunningham expressed his favor for Option B.

Commissioner Summers generally concurred with Cunningham and questioned whether contractors would frequently push toward Option A if single-family standards under Option B created mismatches, potentially adding extra work.

Kastenday said staff would encourage applicants to meet standards but noted flexibility could be sought through a PUD or rezoning if needed.

Vice Chair Cunningham shared his experience working for a developer and in the industry and explained his caution towards Option A.

Commissioner White expressed her favor for Option B. She expressed her apprehension about Cottage Courts.

Vice Chair Cunningham asked White if she supported allowing all proposed uses in R-1.

Commissioner White was generally supportive of the uses in R-1 but noted concerns about large detached townhomes and redevelopment pressures, while acknowledging the need for more housing and density.

Vice Chair Cunningham shared his concern about Cottage Courts.

Chair Koktan said cottage courts are a good concept but cautioned that placing them in R-1 next to single-family homes could draw strong public opposition. He preferred considering them in R-3 or R-4.

Commissioner Munster expressed his favor for Option C. He explained his apprehension about Cottage Courts.

Commissioner Isse asked his fellow Commissioners what issues Cottage Courts present?

Chair Koktan noted upkeep and safety concerns and expressed support for multi-family housing for density purposes instead.

Commissioner Munster concurred with Koktan.

Commissioner Summers questioned if single R-1 parcels could be converted to multi-plexes, noting potential neighborhood impacts.

Kastenday stated he can research and bring it back to the next Study Session.

Commissioner Isse asked if Cottage Courts would have to follow the zoning code pertaining to neighborhood characteristics and aesthetics.

Kastenday affirmed Isse, stating they'd have to follow current standards and additional standards like landscaping and lighting requirements.

Commissioner Isse said cottage courts would increase housing and density, and while enforcement issues are possible, he felt the benefit of added housing outweighs the risks.

Chair Koktan explained his interest in detached townhomes as they faced the street.

Vice Chair Cunningham concurred with Koktan. He then explained the difficulty of Cottage Court developments.

Chair Koktan noted Cunninghams points.

Kastenday presented the third and fourth question.

Chair Koktan asked if they have reduced minimum lot requirements in R-3 and R-4, or just R-1.

Kastenday stated they have only reduced R-1.

Johnson affirmed Kastenday.

Chair Koktan expressed his support for the proposed reduction.

Vice Chair Cunningham concurred with Koktan.

Commissioner White concurred with Cunningham and Koktan.

Johnson said the goal is to create more candidates, noting this was a theme of the 2022 zoning reform.

Commissioner Munster asked a question about the proposed standard for R-4.

Kastenday confirmed that a four-plex on a 33,000-square-foot lot meets the 12-units-per-acre threshold in the comp plan or the underlying density cap of the district.

Commissioner Munster asked if they could make it less.

Kastenday said his calculations showed 12 units per acre as the maximum density threshold.

Kastenday asked about proposed setbacks.

Johnson noted the 40-foot multifamily setback pushes buildings toward neighbors, suggesting a future review of setback standards, and added fire prevention prefers buildings closer to the street when a fire lane is not provided in front of the building.

Commissioner Isse expressed support for the setback proposal.

Commissioner White shared that she trusts staff but expressed concerns for impervious surface.

Vice Chair Cunningham added to White's comments, and asked Kastenday about setbacks and impervious surface calculations.

Kastenday said projects must still meet impervious surface limits, 70% in R-3 and 80% in R-4 and RM-12.

Vice Chair Cunningham stated is general favor for the proposed standard.

Chair Koktan expressed support for the setback proposal.

Commissioner Munster was okay with the proposal and asked if setbacks apply only to plexes, not the whole district.

Kastenday clarified that setbacks apply to the entire zoning district, not just specific housing types.

Chair Koktan asked if R-3 was the most recently added district.

Johnson affirmed Koktan.

Chair Koktan noted that R-3 was applied to only one site, and has not yet been developed. Johnson stated R-3 was created in 2015.

Chair Koktan shared he could be in support of the proposal.

Commissioner Isse asked a clarifying question about R-3.

Chair Koktan affirmed Isse.

A study session will be held on September 29, 2025, at the City Council.

ITEM 4
8:45 p.m.

APPLICANT: City of Bloomington

REQUEST: Annual Review of Rules of Procedure

STAFF REPORT:

Johnson presented the revised Rules of Procedure.

QUESTIONS AND DISCUSSION:

This item will be considered as Consent Business on September 8, 2025, at the City Council.

ACTIONS OF THE COMMISSION:

M/ Cunningham, S/ Summers: Motion to adopt the Planning Commission rules of Procedure as presented at the August 28, regular meeting, motion carried: 7-0.

ITEM 5
8:50 p.m.

APPLICANT: City of Bloomington

REQUEST: Consider approval of draft July 24, 2025 Planning Commission meeting synopsis

Chair Koktan requested a motion to approve the 08/07/25 and 08/14/25 Planning Commission meeting synopses.

ACTIONS OF THE COMMISSION:

M/ White, S/ Linnee: Motion to approve the 08/07/25 Planning Commission meeting synopsis, motion carried: 7-0.

M/ White, S/ Linnee: Motion to approve the 08/14/25 Planning Commission meeting synopsis, motion carried: 6-0, with Munster abstaining.

ITEM 6
8:54 p.m.

APPLICANT: City of Bloomington

EXHIBIT A: Summary of Missing Middle Housing project concepts

Project Purpose: The Missing Middle Housing Study seeks to increase the availability of more kinds of housing types in Bloomington through the development of housing that is diverse in form and scale beyond what is currently offered on the market.

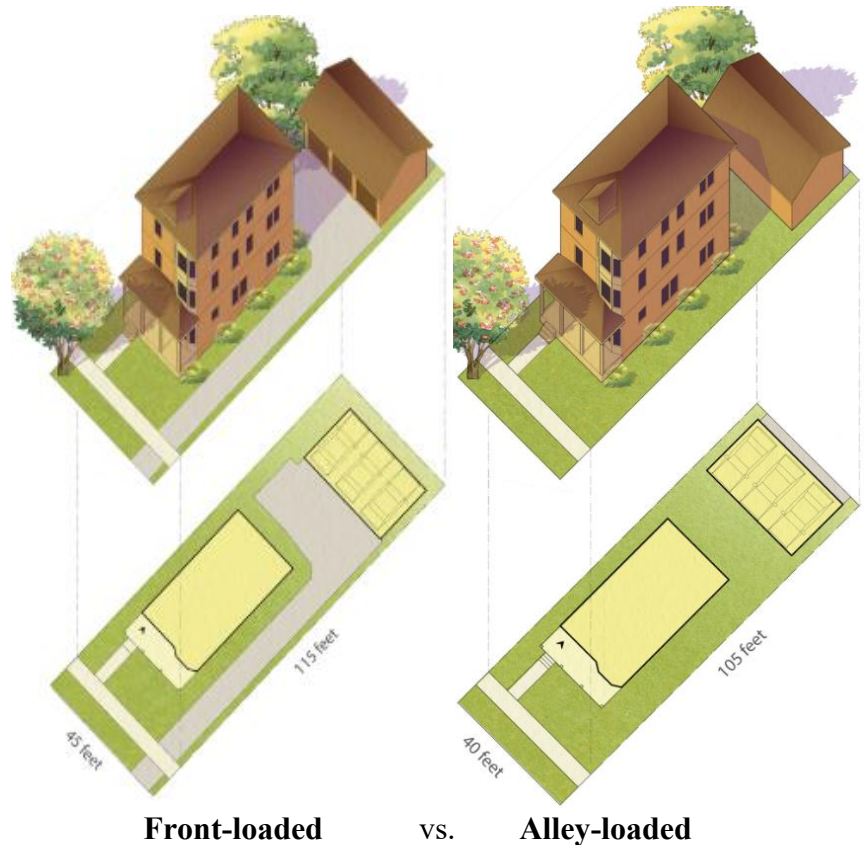
Phase II/New Regulations and Uses - Proposed Missing Middle Code Amendments								
Item	MMH Type	Title	Description	Potential Impact	CC Feedback	PC Feedback	HRA Feedback	Phase II Proposed Code Concepts
1	Townhome	Allow townhomes in R-1 Zoning District	The City's Comprehensive Plan Land Use Element specifies that low density townhomes are an appropriate use in the Low Density Residential (LDR) land use category. Based on this guidance, the R-1 Single-Family Zoning District could be amended to allow townhomes as a permitted or conditional use subject to bulk and locational standards (for example, proximity to transit or commercial services)?	High	Support	Support	Support	Permits townhouses and detached townhouses in R-1.
2	Cottage Court	Allow detached townhomes in R-3 and RM-12 Zoning Districts	The City's townhome definition and standards require that townhomes must be attached and include a minimum of two units per building. Like cottage housing style development, should the City allow detached townhomes, like plaza, villa or patio homes, within zoning districts that allow attached townhomes? Should detached townhome developments be allowed in the R-3 and RM-12 Zoning Districts subject to standards.	Medium	Support	Support	Support	Establishes cottage court definition and permits cottage court dwellings where detached townhouses are permitted (R-1, R-3, R-4, RM-12).
3	Triplex	Establish Triplex Use (3 units)	Triplexes are considered multi-family according to the definition in the Code. Should triplexes be established as a new use? Should it be allowed in R-1 and/or R-3 as a conditional or permitted use?	High	R-3 OK	Oppose	Oppose	Establishes three-family dwelling definition and permits three-family dwellings in R-3.
4	Fourplex	Establish Fourplex Use (4 units)	Fourplexes are considered multi-family according to the definition in the Code. Should fourplexes be established as a new use? Should it be allowed in R-1 and/or R-3 as a conditional or permitted use?	High	R-3 OK	Oppose	Oppose	Establishes fourplex definition and permits fourplex dwellings in R-3 and R-4.
5	Multiplex	Establish Multiplex Use (greater than 3/4 units, less than 15 units)	Multiplexes are considered multi-family according to the definition in the Code. Should multiplexes be established as a new use? Should it be allowed in R-3 and/or RM-12 as a conditional or permitted use?	Medium	Support	Support	Support	Establishes multiplex definition and permits multiplex dwellings in R-3, R-4, RM-12.
6	Stacked Flats	Establish Stacked Flat Use	Stacked Flats are considered multi-family according to the definition in the Code. Should stacked flats be established as a new use? Should it be allowed in R-3 and/or RM-12 as a conditional or permitted use? Height limit requirements may need to be amended to allow the use.	Medium	Maybe	Maybe	Maybe	<i>Removed from this project as stacked flat use would be similar to a triplex or detached townhouse and determined to not be a distinct use.</i>
7	Courtyard Apartment	Establish Courtyard Apartment Use (greater than 3/4 units, less than 15 units)	Courtyard apartments are considered multi-family according to the definition in the Code. Should courtyard apartments be established as a use? As multi-family it would be allowed in R-4, RM-12 (and above). Should it be allowed in R-3?	Medium	Support	Maybe	Maybe	<i>Removed from this project as courtyard apartment use would be similar to multiplex or cottage court and determined to not be a distinct use. Could also consider allowing cottage court dwellings to be attached.</i>
8	All	Height Limits Map	Should staff evaluate the height limitations for areas guided LDR and MDR established in the Official Height Limits Map? Findings would be included as part of future missing middle housing study sessions or Code amendments.	Medium	Support	Support	Support	<i>Removed from this project as updates to the height limits map is addressed in separate project in the 2025 PC Workplan. Primary concern is to ensure triplex dwellings and townhouses could be allowed three stories regardless if area is guided LDR or MDR.</i>
9	Live/Work	Allow Live/Work in B-2 and B-4 Zoning Districts	Live/Work units are currently a conditional use in Industrial Zoning Districts (I-1, I-2, I-3, IP, and TI). Allowing as a conditional or permitted use in Neighborhood Business Districts increases opportunities for new housing units close to commercial nodes in proximity to resident services and amenities. Business owners or operators would have expanded opportunities for their businesses, and residential units would be within walking distance of amenities.	Medium	Support	Support	Support	<i>Removed from this project and proposed to be addressed in a separate project in the future. Phase II focuses on residential uses in residential zones. More research is needed to review existing performance standards for live/work units and how best to accommodate in commercial and industrial zoning districts.</i>
10	Live/Work	Allow up to two residential units in Live/Work	Allowing up to 2 residential units in live/work units in Neighborhood Business districts increases the likelihood of additional housing. Removing the requirement for all units to be the owner or operator of the business also expands housing choices. One unit would require the occupancy of the business owner or occupancy, and the other residential unit could allow a non-owner/non-operator tenant. This puts housing in proximity to Neighborhood Business District amenities and adds potential income to support the business owner. If a conditional use, the business could be evaluated for standards related to occupancy, safety, parking, etc.	Medium	Support	Maybe	Support	<i>Removed from this project and proposed to be addressed in a separate project in the future. Phase II focuses on residential uses in residential zones. More research is needed to review existing performance standards for live/work units and how best to accommodate in commercial and industrial zoning districts.</i>

EXHIBIT B: Draft performance standards

Three-family dwelling (triplex)

Proposed definition: A building designed as a single structure, containing three dwelling units, each of which is designed to be occupied as a separate, independent residence.

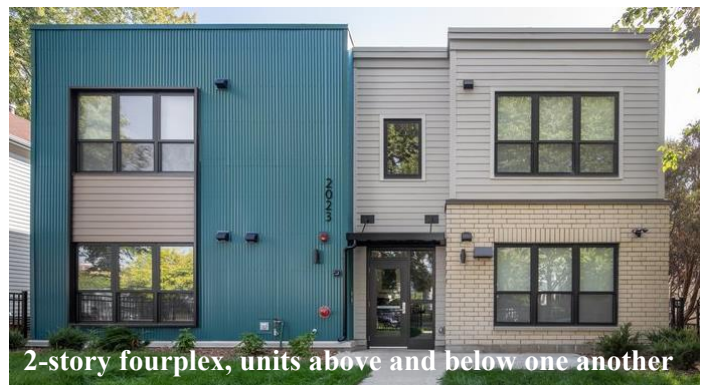
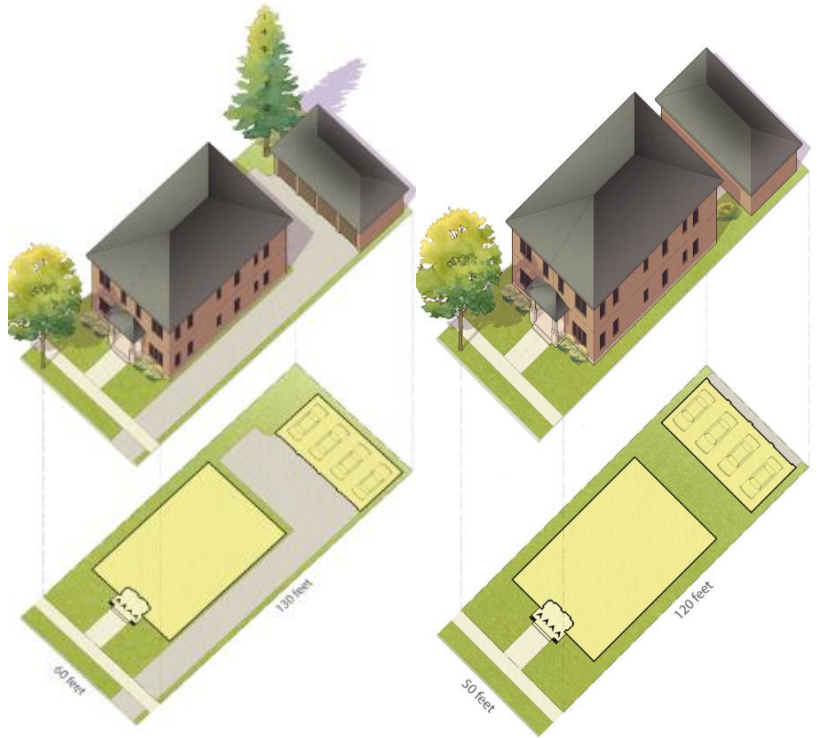
Proposed Performance Standards	
Zoning District	R-3
Setback	20 front, 25 rear, 10 side
Floor area (min)	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf
Site area (min)	R-3: 17,500 sf
Height (max)	3 stories/50 feet
Impervious (max)	70%
Landscape Plan/standards	Landscape standards 21.301.15; no landscape plan required with submittal
Lighting Plan/standards	Landscape standards 21.301.07; no landscape plan required with submittal
Trash	Individual receptacles
Parking (min)	2 spaces per dwelling
Approval	Admin FSBP



Fourplex

Proposed definition: A building designed as a single structure, containing four dwelling units, each of which is designed to be occupied as a separate, independent residence.

Proposed Performance Standards	
Zoning District	R-3, R-4
Setback	20 front, 25 rear, 10 side
Floor area (min)	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf
Site area (min)	R-3: 17,500 sf R-4: 33,000 sf
Height (max)	3 stories/50 feet
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15; no landscape plan required with submittal
Lighting Plan/standards	Landscape standards 21.301.07; no landscape plan required with submittal
Trash	Individual receptacles
Parking (min)	2 spaces per dwelling unit
Approval	Admin FSBP



Detached Townhouses

Proposed definition: The arrangement of multiple detached single-family dwellings, each of which is located on an individual lot that is narrower than otherwise permitted for an individual single-family dwelling.

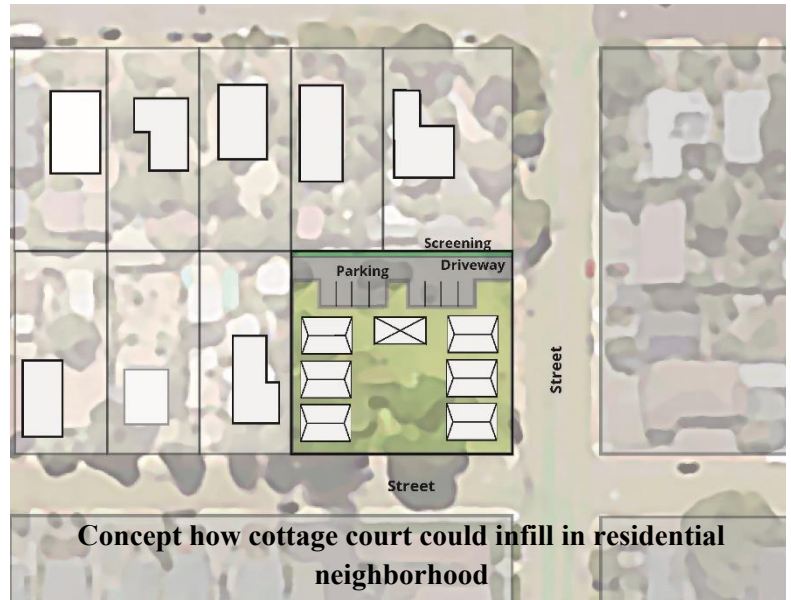
Proposed Performance Standards	
Zoning District	R-1, R-3, R-4, RM-12
Setback	Vary by zoning district R-1: 30 front, 30 rear, 10 side R-3, R-4, RM-12: 20 front, 25 rear, 10 side Distance between dwellings: 10 feet min
Floor area (min)	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf
Site area (min)	Vary by zoning district, applies to overall site, not individual lots R-1: 7,800 sf (interior); 11,050 sf (corner) R-3: 17,500 sf R-4: 33,000 sf RM-12: 40,000 sf
Height (max)	3 stories/50 feet
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15
Lighting Plan/standards	Lighting standards 21.301.07
Trash	Individual receptacles
Parking (min)	2 spaces per dwelling unit (1 enclosed) 0.5 guest spaces per dwelling unit
Approval	FSBP or PDP/FDP



Cottage Court Dwellings

Proposed definition: The arrangement of multiple detached single-family dwellings oriented around a common open space. Each dwelling unit may be located on its own individual lot or on a common lot containing all of the detached dwelling units and the common open space.

Proposed Performance Standards	
Zoning District	R-1, R-3, R-4, RM-12
Setback	Vary by zoning district R-1: 30 front, 30 rear, 10 side R-3, R-4, RM-12: 20 front, 25 rear, 10 side Distance between dwellings: 10 feet min
Floor area (min)	1500 sf max
Site area (min)	Vary by zoning district, applies to overall site, not individual lots R-1: 7,800 sf (interior); 11,050 sf (corner) R-3: 17,500 sf R-4: 33,000 sf RM-12: 40,000 sf
Height (max)	Based on height map
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15
Lighting Plan/standards	Lighting standards 21.301.07
Trash	Individual receptacles or detached enclosure
Parking (min)	1 space per dwelling unit
Approval	FSBP or PDP/FDP



▲ In 2017, the city of Ashland, Oregon, approved an ordinance to allow developments with a minimum of three and a maximum of 12 cottages. Most of the homes must be 800 square-feet or smaller. Allowing one cottage per 2,500 square-feet of lot area, the overall lot size is, at its largest, about one-third of an acre. At least 20 percent of the land must be preserved as common open space.



Multiplexes

Proposed definition: A building designed as a single structure, containing five to 16 dwelling units, each of which is designed to be occupied as a separate, independent residence where dwelling units are configured in part vertically above and below other dwelling units.

Proposed Performance Standards	
Zoning District	R-4, RM-12
Setback	20 front, 25 rear, 10 side
Floor area (min)	Studio 400 sf 1 bed 650 sf 2 bed 800 sf 3 or more 950 sf
Site area (min)	R-4: 33,000 sf RM-12: 40,000 sf
Height (max)	Based on height map
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15
Lighting Plan/standards	Lighting standards 21.301.07
Trash	Attached trash room or detached enclosure
Parking (min)	Studio or 1 bed: 1.6 spaces per dwelling 2 bed or more: 2 spaces per dwelling Additional guest parking
Approval	FSBP or PDP/FDP



EXHIBIT C: Comparison table of draft performance standards

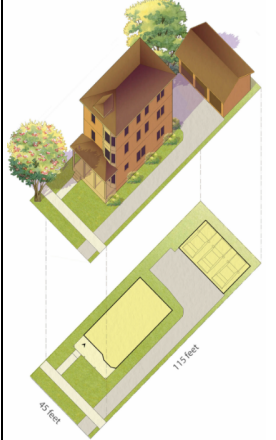
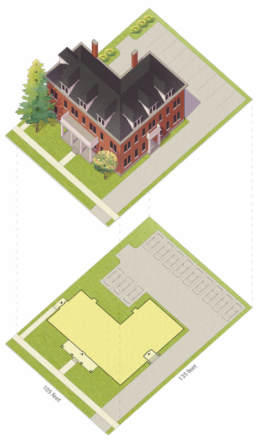
Performance Standard	Three-Family Dwelling (Triplex)	Fourplex	Detached Townhouses	Cottage Court Dwellings	Multiplexes
Zoning District	R-3	R-3, R-4	R-1, R-3, R-4, RM-12	R-1, R-3, R-4, RM-12	R-4, RM-12
Setback	20 front, 25 rear, 10 side	20 front, 25 rear, 10 side	Vary by zoning district R-1: 30 front, 30 rear, 10 side R-3, R-4, RM-12: 20 front, 25 rear, 10 side Distance between dwellings: 10 feet min	Vary by zoning district R-1: 30 front, 30 rear, 10 side R-3, R-4, RM-12: 20 front, 25 rear, 10 side Distance between dwellings: 10 feet min	20 front, 25 rear, 10 side
Floor area (min)	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf	1500 sf max	Studio 400 sf 1 bed 650 sf 2 bed 800 sf 3 or more 950 sf
Site area (min)	R-3: 17,500 sf	R-3: 17,500 sf R-4: 33,000 sf	Vary by zoning district, applies to overall site, not individual lots R-1: 7,800 sf (interior); 11,050 sf (corner) R-3: 17,500 sf R-4: 33,000 sf RM-12: 40,000 sf	Vary by zoning district, applies to overall site, not individual lots R-1: 7,800 sf (interior); 11,050 sf (corner) R-3: 17,500 sf R-4: 33,000 sf RM-12: 40,000 sf	R-4: 33,000 sf RM-12: 40,000 sf
Height (max)	3 stories/50 feet	3 stories/50 feet	3 stories/50 feet	Based on height map	Based on height map
Impervious (max)	70%	80%	80%	80%	80%
Landscape Plan/standards	Landscape standards 21.301.15; no landscape plan required with submittal	Landscape standards 21.301.15; no landscape plan required with submittal	Landscape standards 21.301.15	Landscape standards 21.301.15	Landscape standards 21.301.15
Lighting Plan/standards	Landscape standards 21.301.07; no landscape plan required with submittal	Landscape standards 21.301.07; no landscape plan required with submittal	Lighting standards 21.301.07	Lighting standards 21.301.07	Lighting standards 21.301.07
Trash	Individual receptacles	Individual receptacles	Individual receptacles	Individual receptacles or detached enclosure	Attached trash room or detached enclosure
Parking (min)	2 spaces per dwelling unit	2 spaces per dwelling unit	2 spaces per dwelling unit (1 enclosed) 0.5 guest spaces per dwelling unit	1 space per dwelling unit	Studio or 1 bed: 1.6 spaces per dwelling 2 bed or more: 2 spaces per dwelling Additional guest parking
Approval	Admin FSBP	Admin FSBP	FSBP or PDP/FDP	FSBP or PDP/FDP	FSBP or PDP/FDP
Definition	A building designed as a single structure, containing three dwelling units, each of which is designed to be occupied as a separate, independent residence.	A building designed as a single structure, containing four dwelling units, each of which is designed to be occupied as a separate, independent residence.	The arrangement of multiple detached single-family dwellings, each of which is located on an individual lot that is narrower than otherwise permitted for an individual single-family dwelling.	The arrangement of multiple detached single-family dwellings oriented around a common open space. Each dwelling unit may be located on its own individual lot or on a common lot containing all of the detached dwelling units and the common open space.	A building designed as a single structure, containing five to 16 dwelling units, each of which is designed to be occupied as a separate, independent residence where dwelling units are configured in part vertically above and below other dwelling units.
Example Image					

EXHIBIT D: Draft definitions

The following code concept describes how definitions in § 21.601 could be revised to accommodate new Missing Middle Housing types. The proposed additions to the code are underlined for emphasis and revisions are in [~~bracketed-strikethrough~~] text. Please note that some existing sections of the code are abbreviated or reorganized from the original code to improve readability of the concept.

§ 21.601 DEFINITIONS.

ACCESSORY BUILDING. A subordinate building the use of which is incidental and customary to that of the principal building, and which may include, but is not limited to, detached garages, detached carports, storage buildings, gazebos, screen houses, playhouses, guard houses, dispatch houses, security houses, gate houses and similar structures.

ACCESSORY DWELLING UNIT. See ***DWELLING, ACCESSORY.***

BUILDING. Any structure built for the support, shelter or enclosure of persons, animals, chattels or property of any kind. ***BUILDING*** when used in this chapter includes "structure."

CO-LIVING DEVELOPMENT. A building or portion thereof containing five or more co-living units. This use is not a residential care facility as defined in § 21.601, or any other group housing type that requires a state license.

CO-LIVING UNIT. A separate, private living space that has access to a shared kitchen and other communal living space. Each private living space may or may not include a private bathroom, but must not include cooking facilities, specifically a stove or oven. Co-living units are typically leased on an individual basis and collectively do not constitute a dwelling.

DWELLING. One or more rooms designed for residential use by a single family that contain cooking, living, sanitary and sleeping facilities and that are physically separated from any other dwelling units in the same structure. Types of ***DWELLINGS*** are as follows.

(A) ***DWELLING, SINGLE-FAMILY.*** A building designed or used for residential occupancy by one family with or without an approved accessory dwelling unit.

Exhibit D: Draft definitions

(B) ***DWELLING, ACCESSORY.*** A secondary dwelling unit, but not a manufactured home built on a permanent chassis, located on the same lot as a single-family dwelling unit, either physically attached to, within, or detached from the single-family dwelling unit. Accessory dwelling units must be developed in accordance with the standards set forth in § [21.302.03](#).

(C) ***DWELLING, TWO-FAMILY.*** A building designed as a single structure, containing two dwelling units, each of which is designed to be occupied as a separate, independent residence where dwelling units are configured side by side sharing a common ~~[or used for residential occupancy by two families in separate dwelling units fully separated by an]~~ unpierced wall extending from ground to roof for a minimum of ten feet, or ~~above and below one another~~ sharing a common ~~[an]~~ unpierced ceiling and floor extending from exterior wall to exterior wall. Dwelling units in a **TWO-FAMILY DWELLING** may be connected by ~~[-except for]~~ a common stairwell exterior to both units and share main entrances and exits exterior to both units.~~[-including both duplexes and double bungalows but not including accessory dwelling units.]~~

(D) ***DWELLING, THREE-FAMILY.*** A building designed as a single structure, containing three dwelling units, each of which is designed to be occupied as a separate, independent residence. Dwelling units in a **THREE-FAMILY DWELLING** may be connected by shared hallways exterior to all units and share main entrances and exits exterior to all units.

(E) ***DWELLING, FOURPLEX.*** A building designed as a single structure, containing four dwelling units, each of which is designed to be occupied as a separate, independent residence. Dwelling units in a **FOURPLEX DWELLING** may be connected by shared hallways exterior to all units and share main entrances and exits exterior to all units.

(F) ***DWELLING, MULTIPLEX.*** A building designed as a single structure, containing five to 16 dwelling units, each of which is designed to be occupied as a separate, independent residence where dwelling units are configured in part vertically above and below other dwelling units. Dwelling units in a **MULTIPLEX DWELLING** may be connected by shared hallways exterior to all units and share main entrances and exits exterior to all units.

(G) ***DWELLING, COTTAGE COURT.*** The arrangement of multiple detached single-family dwellings oriented around a common open space. Each dwelling unit may be located on its own individual lot or on a common lot containing all detached dwelling units and the common open space. **COTTAGE COURT DWELLINGS** must be developed in accordance with the standards set forth in City Code § 21.XX.XX.

(H) ***DWELLING, DETACHED TOWNHOUSE.*** The arrangement of multiple detached single-family dwellings, each of which is located on an individual lot that is narrower than otherwise permitted for an individual single-family dwelling. **DETACHED TOWNHOUSE DWELLINGS** must be developed in accordance with the standards set forth in City Code § 21.XX.XX.

(I[~~D~~]) ***DWELLING, MULTIPLE-FAMILY.*** A building designed as a single structure, containing ~~17~~ ~~[that includes three]~~ or more dwelling units, each of which is designed to be occupied as a separate, independent residence where dwelling units are configured in part vertically above and below other dwelling units.

(J[E]) ***TOWNHOUSE***~~[/ROWHOUSE]~~. A building or group of buildings, each containing ~~[that include]~~ three to eight ~~[or more]~~ dwelling units, each of which is designed to be occupied as

Exhibit D: Draft definitions

a separate, independent residence ~~[on a site]~~ where the dwelling units are configured in a side by side fashion and share at least one common wall but are not vertically stacked. Each dwelling unit must have separate and individual front and rear entrances.

DWELLING FOR WATCHMAN. One or more rooms, designed, occupied or intended for occupancy by one or two employees as a separate living quarter, and is intended to be accessory to an approved primary use.

DWELLING UNIT. One or more rooms designed for residential use by a single family that contain cooking, living, sanitary and sleeping facilities and that are physically separated from any other dwelling units in the same structure.

TINY HOUSE. A structure under 1,040 square feet, on wheels or sited on the ground (no trailer), and designed and intended for temporary or permanent residential use by a single family (excluding manufactured homes and recreational vehicles).

~~[**TOWNHOUSE/ROWHOUSE.** A building or group of buildings that include three or more dwelling units on a site where the dwelling units are configured in a side by side fashion and share at least one common wall but are not vertically stacked.]~~

STRUCTURE. That which is built or constructed, an edifice or building of any kind, or any piece of work artificially built up or composed of parts joined together in some definite manner.

EXHIBIT E: Draft concept performance standards for Missing Middle Housing types and zoning districts

The following code concept describes how some of the proposed performance standards for Missing Middle Housing types could be reflected in various sections of City Code. These concepts show examples of how the use table, zoning district site area, building floor area, building setbacks, minimum parking, and admin zoning approvals could be updated. The proposed additions to the code are underlined and in **red text** for emphasis. Proposed removals are in ~~[bracketed strikethrough]~~ text in **red text** for emphasis. **Note this code concept does not cover all the proposed performance standards for Missing Middle Housing and does not represent a complete ordinance amendment.**

§ 21.209 USE TABLES.

(c) Residential Zoning Districts.

Use Type	Zoning District									References; See Listed Section
	R-1	R-1A	RS-1	R-3	R-4	RM-12	RM-24	RM-50	RM-100	
RESIDENTIAL										
Dwellings										
Single-family dwelling	P	P	P		P					
Two-family dwelling	P		P	P	P					21.302.04
<u>Three-family dwelling</u>				<u>P</u>						<u>21.302.41</u>
<u>Fourplex dwelling</u>				<u>P</u>	<u>P</u>					<u>21.302.42</u>
<u>Detached townhouse dwelling</u>	<u>P</u>			<u>P</u>	<u>P</u>	<u>P</u>				<u>21.302.43</u>
<u>Cottage Court dwelling</u>	<u>P</u>			<u>P</u>	<u>P</u>	<u>P</u>				<u>21.302.44</u>
Townhouse[rowhouse]	P			P	P	P	P			21.302.08
Townhouse[rowhouse] in single family zones in existence prior to January 26, 2015	P									
<u>Multiplex dwellings</u>					<u>P</u>	<u>P</u>				<u>21.302.45</u>
Multiple-family dwelling					P	P	P	P	P	21.302.09
Multiple-family dwelling in single family zones in existence prior to January 26, 2015	P									21.302.09

Draft 08/28/2025
Case #PL2025-88

§ 21.301.01 DEVELOPMENT INTENSITY AND SITE CHARACTERISTICS.

(c) *Residential Zoning Districts.*

(1) *Residential site standards.*

<i>Zoning District</i>	<i>Site Area</i>	<i>Site Width</i>	<i>Density</i>		<i>Impervious Surface Area</i>
	<i>Minimum</i>	<i>Minimum</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Maximum</i>
R-1	7,800 sq. ft. (corner lot 11,050 sq. ft.)	See (A) below	NA	NA	35% and see (B) below
RS-1	33,000 sq. ft.	See (A) below	NA	NA	35% and see (B) below
R-1A	65,000 sq. ft.	See (A) below	NA	NA	35% and see (B) below
R-3	17,500 [20,000] sq. ft.	120 feet	NA	8 u./ac.	70%
R-4	33,000 [40,000] sq. ft.	150 [200] feet	4 u./ac.	12 u./ac.	80%
RM-12	40,000 sq. ft.	200 feet	8 u./ac.	12 u./ac.	80%
RM-24	40,000 sq. ft.	200 feet	12 u./ac.	24 u./ac.	85%

(A) *Site width.* Site width for non-corner sites must be at least 60 feet in the R-1 and RS-1 zoning districts and at least 100 feet in the R-1A zoning district. Corner site width at both of the minimum required front setback lines must be at least 100 feet in the R-1, RS-1 and R-1A zoning districts. Single and two-family residential sites approved by the city after August 31, 2006 must meet minimum site width requirements at the front setback line and over the first 50 feet of the site beyond the required front setback line.

(B) *Storm water.* To mitigate the impacts of increased storm water runoff rates and volume, single-family dwellings must meet the following storm water standards:

(i) Erosion and sediment control must meet the requirements of Chapter 16 of the city code;

(ii) The area of impervious surface on a single-family residential site may not exceed 12,000 sq. ft. plus 1,000 sq. ft. for each full acre of lot size over one acre.

(iii) Single-family residential sites less than 11,000 square feet in area may exceed 35% of impervious surface up to a maximum of 45% with approval from the City Engineer or designee prior to issuance of a grading, foundation, or building permit, subject to the following requirements:

(aa) Approval of stormwater management plans consistent with the requirements of Chapter 16 of the city code and the city's Comprehensive Surface Water Management Plan.

Exhibit E: Draft concept performance standards for Missing Middle Housing types and zoning districts

(bb) Additional impervious surface above 35% must be mitigated by installing on-site trees at a rate of one tree per three percent of impervious surface area above 35%, with a minimum requirement of one tree, unless a waiver is granted by the Issuing Authority based upon existing tree canopy cover of the single-family residential site. Trees must be overstory trees, except sites that require more than one tree may use one ornamental tree in lieu of one overstory tree. A maximum of one ornamental tree may be installed to satisfy the mitigation requirement.

(3) *Building floor area minimum.*

<i>Unit</i>	<i>Floor area</i>
	<i>Minimum*</i>
<u>Multiplex and Multiple-Family Dwellings</u> [Apartments and condominiums]	
Efficiency units	400 sq. ft.
1 bedroom	650 sq. ft.
2 bedrooms	800 sq. Ft.
3 or more bedrooms	950 sq. Ft.
Accessibility and senior citizen housing	
Efficiency units	400 sq. Ft.
1 bedroom	525 sq. Ft.
2 or more bedrooms	700 sq. Ft.
<u>Three-family, fourplex, [Rowhouses,] townhouses</u> <u>and detached townhouse dwellings</u> [other attached dwelling units of a similar nature]	
1 bedroom	750 sq. Ft.
2 bedroom	900 sq. Ft.
3 <u>or more</u> bedrooms	1,040 sq. Ft.
	<u><i>Maximum*</i></u>
<u>Cottage Court dwellings</u>	<u>1500 sq. ft.</u>
Note: * Garages, breezeway, and porch floor area do not count towards the required floor area.	

§ 21.301.01 STRUCTURE PLACEMENT.

(d) *Residential District setbacks.*

(1) *Residential structure setbacks in residential districts.*

Zoning District	Along Streets**	Rear	Side Not Along Streets
	Minimum	Minimum	Minimum
R-1	30 feet. Setbacks also subject to the exception in subsection (3) below.	30 feet 5 feet for garages and accessory buildings not connected to water or sanitary sewer service	10 feet 5 feet for garages and accessory buildings not connected to water or sanitary sewer service
RS-1	30 feet. Setbacks also subject to the exception in subsection (3) below.	30 feet 5 feet for garages and accessory buildings not connected to water or sanitary sewer service	10 feet 5 feet for garages and accessory buildings not connected to water or sanitary sewer service
R-1A	75. Setbacks also subject to the exception in subsection (3) below.	75 feet 5 feet for garages and accessory buildings not connected to water or sanitary sewer service	30 feet 5 feet for garages and accessory buildings not connected to water or sanitary sewer service
R-3, <u>R-4, RM-12</u>	<u>20</u> [30] feet*	<u>25</u> [30] feet 10 feet for garages and accessory buildings not connected to water or sanitary sewer	10 feet
<u>[R-4, RM-12,]</u> RM-24, RM-50	40 feet*	30 feet 10 feet for garages and accessory buildings not connected to water or sanitary sewer	10 feet plus 0.25 feet for each foot in height over 30 feet
RM-100	10 feet or width of required public easement*	20 feet 10 feet for garages and accessory buildings not connected to water or sanitary sewer	10 feet plus 0.25 feet for each foot in height over 30 feet
Note: * No portion of an accessory building may be closer to the property line adjacent to a public street than the principal structure. ** On flag lots, the minimum setback along a street is measured from where the minimum lot width begins.			

§ 21.301.06 PARKING AND LOADING.

(d) *Number of off-street parking spaces required.*

(1) The minimum number of off-street parking spaces provided within a development must meet the provisions of this subsection (d), varying by land use as provided in the following table. If more than one land use is present on a site, the required parking is determined by adding together the required number of parking spaces for each use.

If the number of off-street parking spaces results in a fraction, each fraction of one-half or more will constitute another space required. A lesser number of constructed off-street parking spaces may be allowed through flexibility measures (see subsection (e) below). The requirements for off-street surface parking space dimensions are set forth in subsection (c) above.

<i>Minimum Off-Street Parking Requirements</i>		
RESIDENTIAL		
Single Family		2 spaces per dwelling unit, 1 of which must be fully enclosed within a garage (for construction after June 1, 2015) or area that could be occupied by a garage (for construction before June 1, 2015) (carports are not considered fully enclosed)
Two-Family		2 spaces per dwelling unit, 1 of which must be fully enclosed within a garage (carports are not considered fully enclosed)
<u>Three-Family and Fourplex</u>		<u>2 spaces per dwelling unit</u>
<u>Cottage Court</u>		<u>1 space per dwelling unit</u>
<u>Detached Townhouse and Townhouse</u>		<u>2 spaces per dwelling unit, 1 of which must be fully enclosed within a garage (carports are not considered fully enclosed). An additional 0.5 spaces per unit must be available for general parking.</u>
[Townhouse/rowhouse	One bedroom	2.2 spaces per dwelling unit
	Two bedroom	2.6 spaces per dwelling unit
	Three bedroom	3.0 spaces per dwelling unit
	Four bedroom	3.4 spaces per dwelling unit
		<u>Of which 1 space per unit must be within a fully enclosed garage, and where party room space is provided, an additional 1 space per 100 square feet of party room is required; guest parking spaces must be appropriately provided and dispersed throughout the development, subject to approval of the issuing authority]</u>

Exhibit E: Draft concept performance standards for Missing Middle Housing types and zoning districts

<u>Multiplex and Multiple-family residence</u>	Efficiency and 1 bedroom	1.6 per dwelling unit
	Two or more bedrooms	2.0 per dwelling unit
	<u>Additional requirements for multiplex units of all sizes</u>	<u>Guest parking spaces must be appropriately provided and dispersed throughout the development, subject to approval of the issuing authority</u>
	Additional requirements for <u>multiple-family</u> units of all sizes	Of the above requirements, at least 1 space per unit must be within a fully enclosed garage or covered within a structured parking ramp; guest parking spaces must be appropriately provided and dispersed throughout the development, subject to approval of the issuing authority, 1 space per 50 units must be equipped with a Charging Level 2 electric vehicle charger or higher.

§ 21.501.01 FINAL SITE AND BUILDING PLANS.

(c) Review, approval, and appeals.

(1) The Planning Manager will review and act upon the following types of final site and building plan applications, unless the Planning Manager determines the application should be heard by the Planning Commission due to potential environmental or land use impacts. In such cases, the notice and hearing procedures of subsection (c)(3) shall apply.

(A) Accessory buildings (except for single-family dwellings, accessory dwelling units, and two-family dwellings);

(B) Garages (except for single-family dwellings, accessory dwelling units, and two-family dwellings);

(C) Three-family dwellings;

(D) Fourplex dwellings;

(E)(F) Parking lots or other site characteristic modifications;

(F)(D) New buildings or building additions that do not exceed 10,000 square feet; and

(G)(E) Revisions to previously approved final site and building plans except those that involve:

Exhibit E: Draft concept performance standards for Missing Middle Housing types and zoning districts

(i) Building additions that exceed 25% of the existing floor area for the building or that exceed 20,000 square feet;

(ii) An increase of five or more dwelling units;

(iii) Deviations to city code requirements; or

(iv) Modifications to any condition of approval adopted by the Planning Commission or City Council. If a revision requires modification to a condition of approval previously adopted by the City Council, the revision must be reviewed by the City Council.

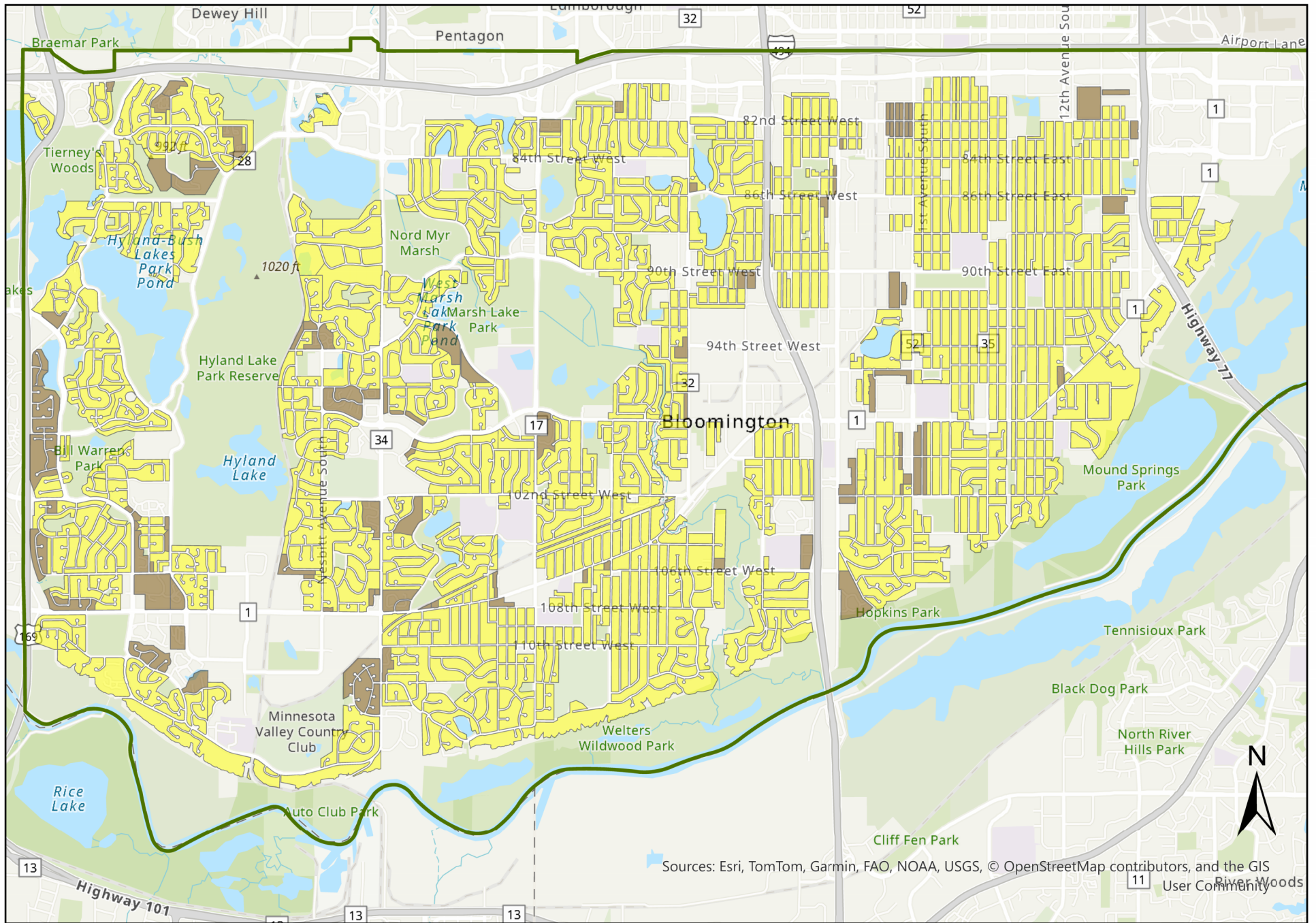


EXHIBIT F: Low-Density Residential (LDR) and Medium-Density (MDR) Parcels in Bloomington

- City Limits
- LDR
- MDR

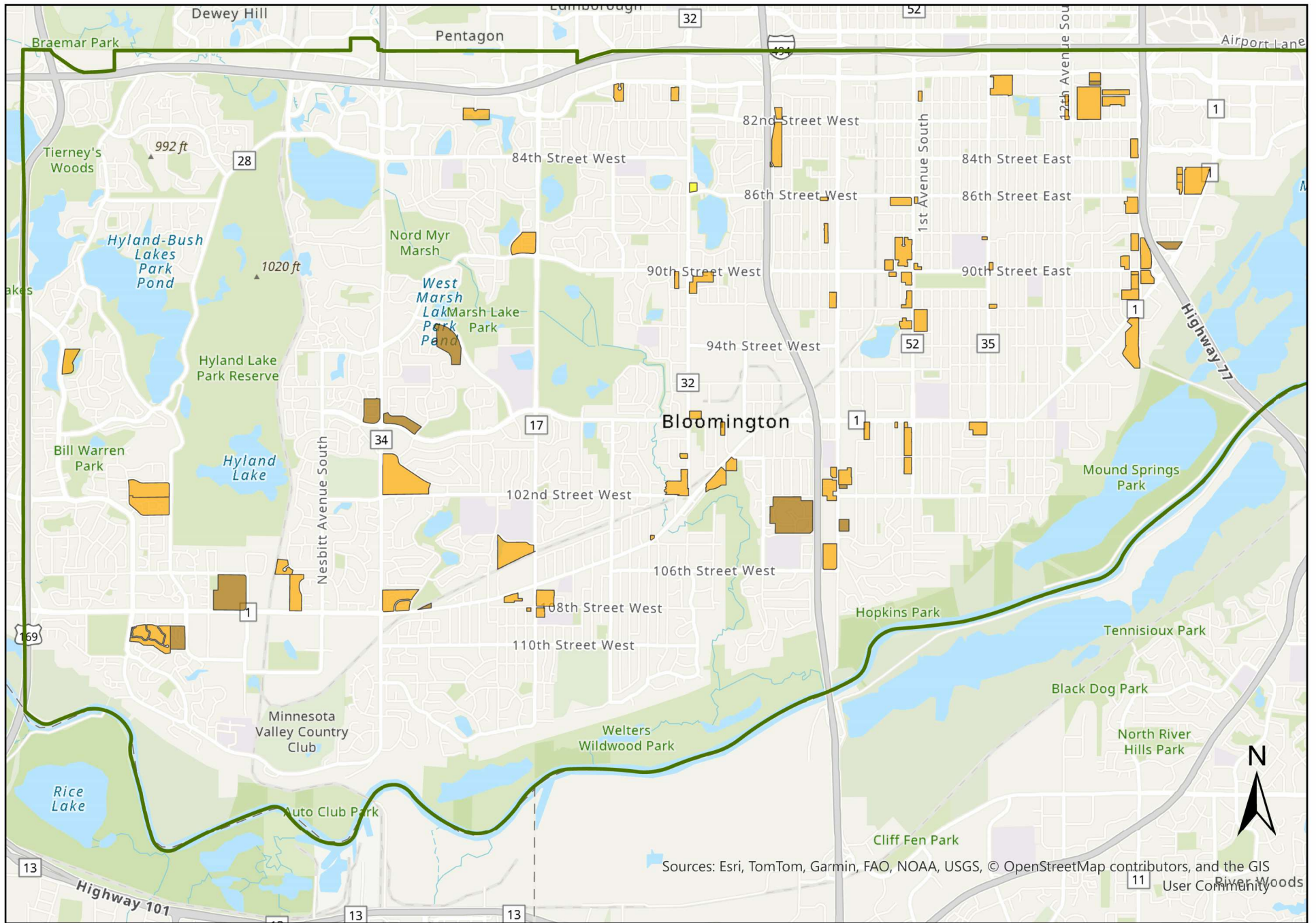


EXHIBIT G: R-3, R-4, and RM-12 Parcels in Bloomington

- City Limits
- R-3
- R-4
- RM-12

MISSING MIDDLE HOUSING

Phase II Discussion

City Council | October 20, 2025

Dakota Kastenday

AGENDA



1. Why “Missing Middle”
2. Missing Middle Housing Types
3. Policy Considerations
4. Guiding Questions and Discussion

MISSING MIDDLE HOUSING



A Missing Middle Housing Sampler



1. COTTAGE COURT 2. SIDE-BY-SIDE DUPLEX 3. STACKED DUPLEX 4. FOURPLEX 5. SIXPLEX



WHY “MISSING MIDDLE” HOUSING



A key priority to ensure Bloomington continues to lead in housing for the region

- Housing types ***compatible with single-family homes***
- Positively impact housing availability and affordability
- Support infill housing opportunities

Goal: Increase variety of housing types for all people at different stages of life

Supply 18,000 new housing units per year

Number of units built in the seven-county Twin Cities area



WHY “MISSING MIDDLE” HOUSING

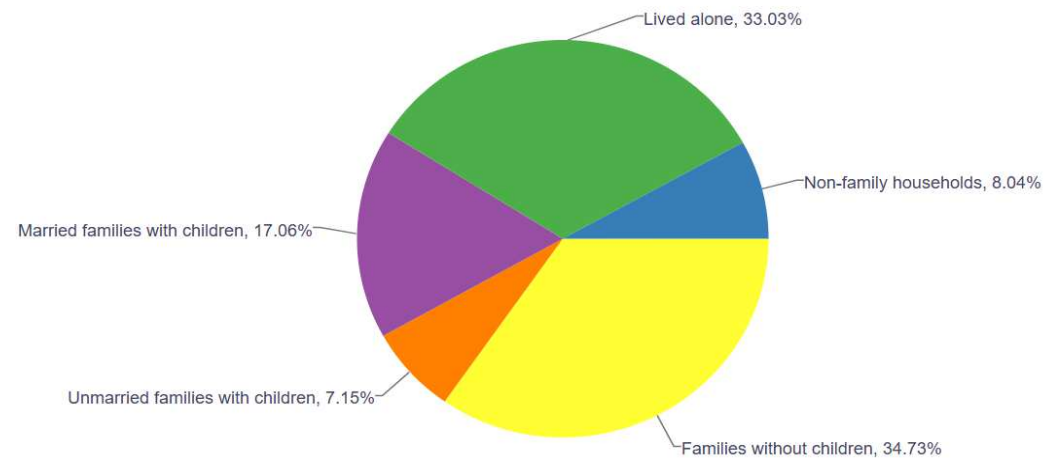


A key priority to ensure Bloomington continues to lead in housing for the region

- ***Flexibility*** and ***choice***
- Provide additional ***homeownership opportunities***
- Opportunities for residents to age-in-place

Goal: Increase variety of housing types for all people at different stages of life

Household Type in Bloomington



33% of households in Bloomington live alone;
An additional 34% are families without children

STATE LEGISLATION PROPOSED



- "Minnesota Starter Home Act"
 - requires municipalities to permit single-family homes and duplexes on any residential lot, and to permit accessory dwelling units on any lot with a single-family home
- "Transforming Main Street Act"
 - requires municipalities to permit multifamily residential developments in any commercial district, except those that permit heavy industry
- "More Homes, Right Places Act"
 - requires municipalities to enact ordinances creating mixed-use housing zones that allow single family dwellings, townhomes, duplexes, triplexes, fourplexes, ADUs
- "People Over Parking Act"
 - requires municipalities to not impose minimum parking mandates for residential, commercial and industrial properties

MISSING MIDDLE HOUSING FOR BLOOMINGTON



TRIPLEX



FOURPLEX



DETACHED TOWNHOMES



MULTIPLEX



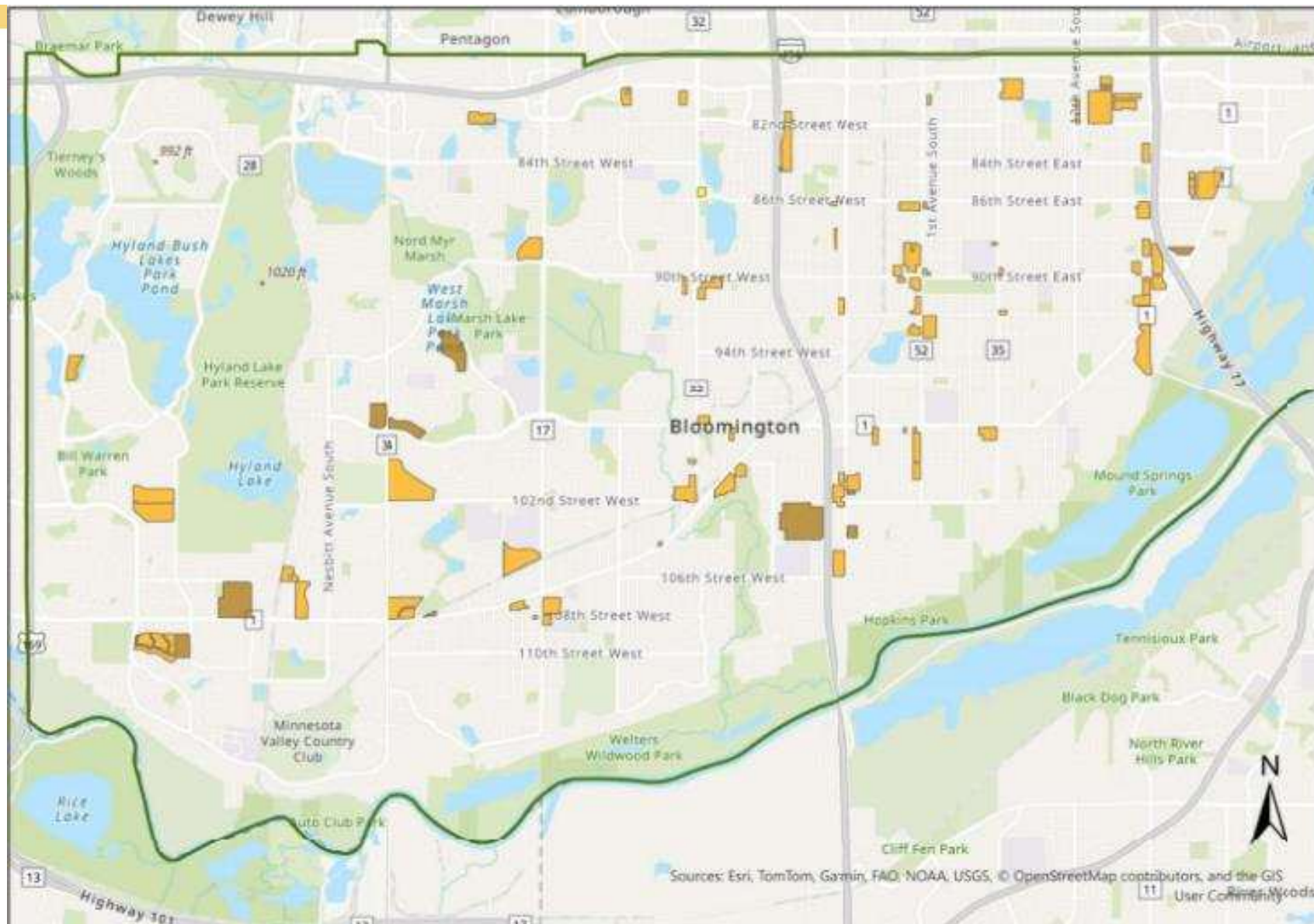
COTTAGE COURTS

ZONING CODE CONSIDERATIONS

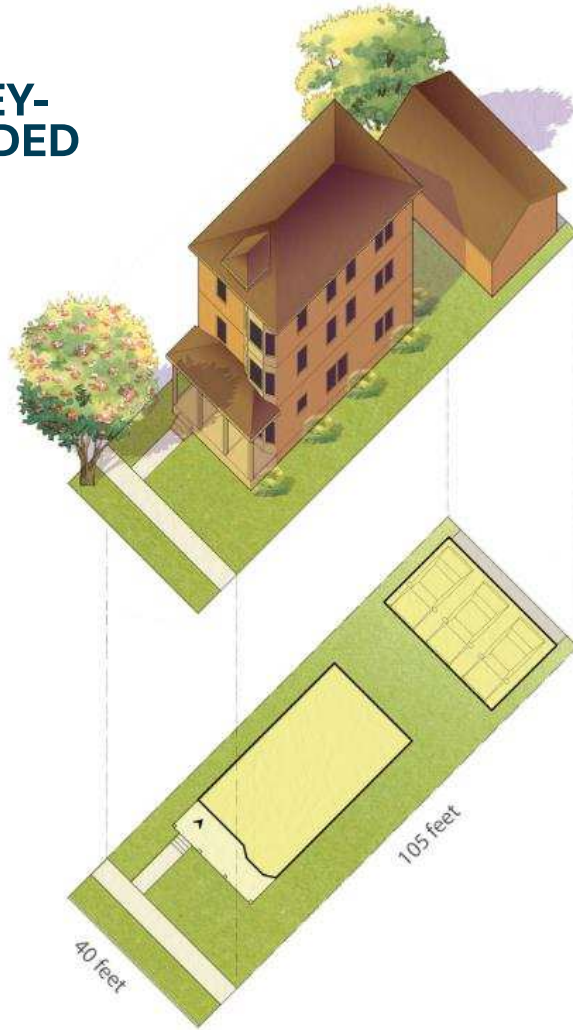


- Setbacks
- Density threshold (units per acre)
- Floor area
- Site area
- Building height
- Parking
- Open space/landscaping/impervious surface

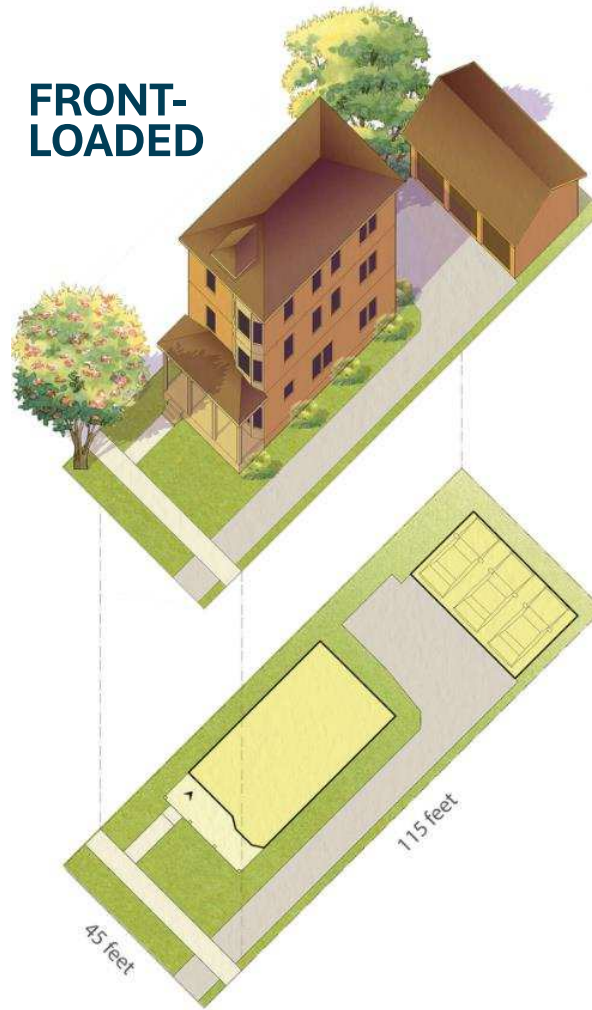
R-3, R-4, RM-12 Zoning Districts



ALLEY- LOADED



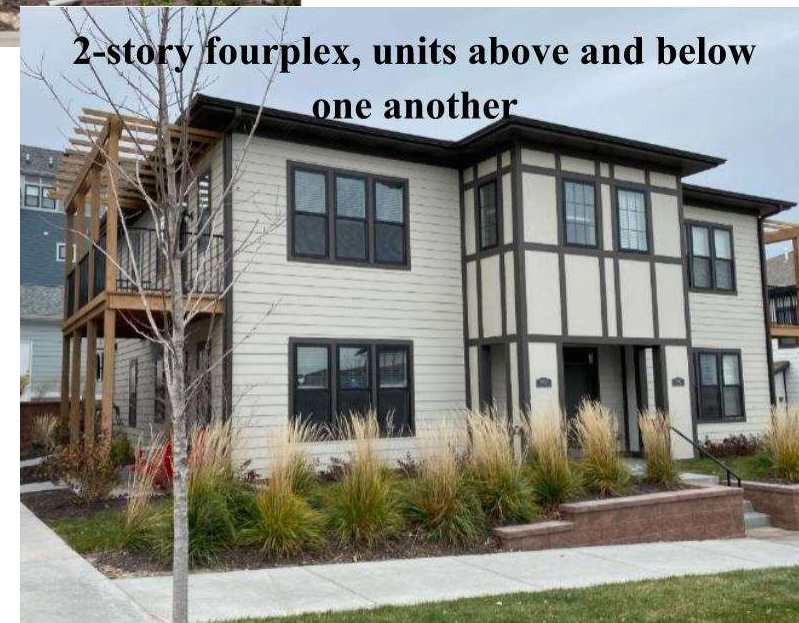
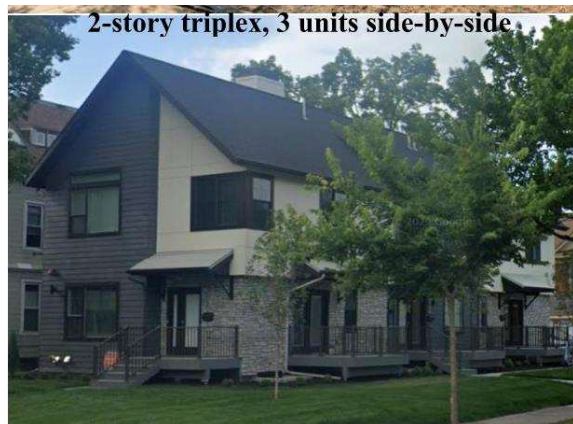
FRONT- LOADED



TRIPLEXES AND FOURPLEXES

Proposed Performance Standards

Zoning District	R-3, R-4
Setback	20 front, 25 rear, 10 side
Floor area (min)	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf
Site area (min)	R-3: 17,500 sf R-4: 33,000 sf
Height (max)	3 stories/50 feet
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15; no landscape plan required with submittal
Lighting Plan/standards	Landscape standards 21.301.07; no landscape plan required with submittal
Trash	Individual receptacles
Parking (min)	2 spaces per dwelling unit
Approval	Admin FSBP



MULTIPLEXES



3-story sixplex next to single family home

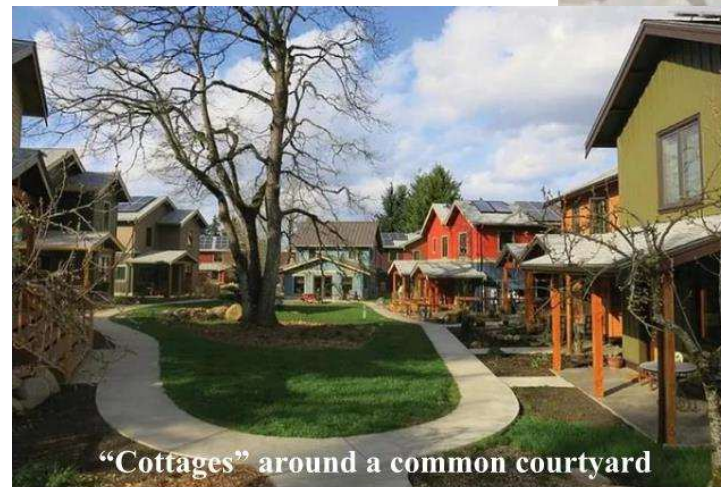


Existing 8-unit multiplex in Bloomington

Proposed Performance Standards	
Zoning District	R-4, RM-12
Setback	20 front, 25 rear, 10 side
Floor area (min)	Studio 400 sf 1 bed 650 sf 2 bed 800 sf 3 or more 950 sf
Site area (min)	R-4: 33,000 sf RM-12: 40,000 sf
Height (max)	Based on height map
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15
Lighting Plan/standards	Lighting standards 21.301.07
Trash	Attached trash room or detached enclosure
Parking (min)	Studio or 1 bed: 1.6 spaces per dwelling 2 bed or more: 2 spaces per dwelling Additional guest parking
Approval	FSBP or PDP/FDP

COTTAGE COURTS

Proposed Performance Standards	
Zoning District	R-1, R-3, R-4, RM-12
Setback	Vary by zoning district R-1: 30 front, 30 rear, 10 side R-3, R-4, RM-12: 20 front, 25 rear, 10 side Distance between dwellings: 10 feet min
Floor area (min)	1500 sf max
Site area (min)	Vary by zoning district, applies to overall site, not individual lots R-1: 7,800 sf (interior); 11,050 sf (corner) R-3: 17,500 sf R-4: 33,000 sf RM-12: 40,000 sf
Height (max)	Based on height map
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15
Lighting Plan/standards	Lighting standards 21.301.07
Trash	Individual receptacles or detached enclosure
Parking (min)	1 space per dwelling unit
Approval	FSBP or PDP/FDP



LIKELY SEE 3-7 COTTAGES WITH A TWO-LOT REDEVELOPMENT

DETACHED TOWNHOMES



Proposed Performance Standards	
Zoning District	R-1, R-3, R-4, RM-12
Setback	Vary by zoning district R-1: 30 front, 30 rear, 10 side R-3, R-4, RM-12: 20 front, 25 rear, 10 side Distance between dwellings: 10 feet min
Floor area (min)	1 bed 750 sf 2 bed 900 sf 3 bed 1,040 sf
Site area (min)	Vary by zoning district, applies to overall site, not individual lots R-1: 7,800 sf (interior); 11,050 sf (corner) R-3: 17,500 sf R-4: 33,000 sf RM-12: 40,000 sf
Height (max)	3 stories/50 feet
Impervious (max)	80%
Landscape Plan/standards	Landscape standards 21.301.15
Lighting Plan/standards	Lighting standards 21.301.07
Trash	Individual receptacles
Parking (min)	2 spaces per dwelling unit (1 enclosed) 0.5 guest spaces per dwelling unit
Approval	FSBP or PDP/FDP

GUIDING QUESTION - PARKING



1. What do you think is an appropriate parking standard for Missing Middle Housing types?

		PC Recommendation	HRA Recommendation		
	Option A	Option B	Option C	Option D	Option E
Triplexes, Fourplexes, Multiplexes, Cottage Courts	No parking minimum requirement	1 space per unit, no garage requirement	2 spaces per unit or current multifamily standard, no garage requirement	1 enclosed space per unit	2 or more spaces per unit with garage requirement
Detached Townhouses	No parking minimum requirement	1-2 spaces per unit, no garage or guest parking requirement	2 spaces per unit, garage required, no guest parking requirement	2 spaces per unit, garage and guest parking requirement	Current townhouse requirement with garage and guest parking requirement
← Least restrictive Most restrictive →					

GUIDING QUESTION – ZONING DISTRICTS



2. What zoning districts should Missing Middle Housing types be permitted? Should certain types be permitted in R-1?

	Option A	Option B	Option C	Option D	Option E
Triplexes	Permitted use in R-1 with limited standards/ standards unique to housing type	Permitted use in R-1 with standards that match those of single-family homes	Permitted in R-3 only	Conditional use in R-1 and R-3	Conditional use in R-3, not permitted in R-1
Fourplexes	Permitted use in R-1 with limited standards/ standards unique to housing type	Permitted use in R-1 with standards that match those of single-family homes	Permitted in R-3 and R-4 only	Conditional use in R-1, R-3 and R-4	Conditional use in R-3 & R-4, not permitted in R-1
Cottage Courts	Permitted use in R-1 with limited standards/ standards unique to housing type	Permitted use in R-1 with standards that match those of single-family homes	Permitted in R-3, R-4, & RM-12	Conditional use in R-1, R-3, R-4 & RM-12	Conditional use in R-3, R-4, & RM-12, not permitted in R-1
Detached Townhouses	Permitted use in R-1 with limited standards/ standards unique to housing type	Permitted use in R-1 with standards that match those of single-family homes	Permitted in R-3, R-4, & RM-12	Conditional use in R-1, R-3, R-4 & RM-12	Conditional use in R-3, R-4, & RM-12, not permitted in R-1
	PC Recommendation		HRA Recommendation		

GUIDING QUESTION – SITE AREA AND WIDTH



3. Should minimum lots sizes for R-3 and R-4 Zoning Districts be reduced?

<i>PC Recommendation</i>		
	Proposed Standard	Current Standard
R-3	17,500 sf 120 feet	20,000 sf 120 feet
R-4	33,000 sf 150 feet	40,000 sf 150 feet
<i>HRA Recommendation</i>		

GUIDING QUESTION – SETBACKS



4. Should setbacks be reduced for Missing Middle Housing types?

PC Recommendation		
	Proposed Standard	Current Standard
	20 ft from street 25 ft rear 10 ft side	30 ft from street 30 ft rear 10 ft side
R-4	20 ft from street 25 ft rear 10 ft side	40 ft from street 30 ft rear 10 ft side plus additional setback if taller than 30 feet
RM-12	20 ft from street 25 ft rear 10 ft side	40 ft from street 30 ft rear 10 ft side plus additional setback if taller than 30 feet

HRA Recommendation

**ANY ADDITIONAL QUESTIONS
OR COMMENTS?**

B L O O M I N G T O N



Request for Council Action

Originator Finance	Item 5.2 Reserve Study Results
Agenda Section ORGANIZATIONAL BUSINESS	Date October 20, 2025

Requested Action:

Discussion item

Item created by: Briana Eicheldinger, Finance

Item presented by: Shayne Kavanagh, GFOA Senior Research Manager
Kari Carlson, Deputy Finance Officer

Description:

The Finance Department engaged the Government Finance Officers Association (GFOA) Research and Consulting Center to conduct a risk-based analysis of the City's fund reserves to establish recommended target ranges based on the analysis. The results of the study are currently under review.

Deputy Finance Officer Kari Carlson and GFOA Senior Research Manager Shayne Kavanagh will provide an overview of the analysis.

Attachments:

[Presentation](#)
[GFOA PAPER - SHOULD WE RETHINK RESERVES](#)



GFOA (Government Finance Officers Association) Fund Reserve Study

October 20, 2025

Shayne Kavanagh, Senior Manager of Research for GFOA

Kari Carlson, Deputy Finance Officer



What are Reserves?

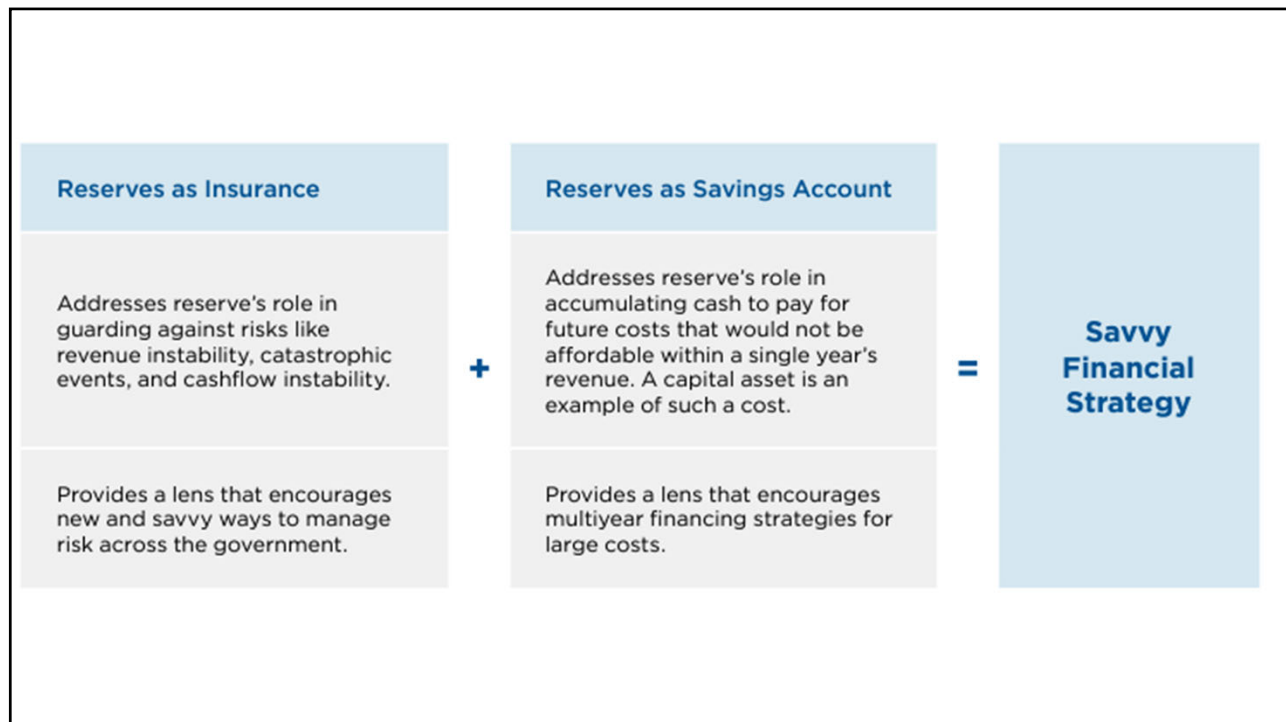


“Reserves” is a budget and policy term that describes the resources available *outside of the budget* for use if the resources appropriated *inside of the budget* are insufficient.

This offers protection against

unplanned, unavoidable costs or losses.





Think of Reserves as an Insurance Policy

The Insurance Policy

- A reserve manages volatility
- Risk is a product of volatility
- Hence, reserves help manage risk

Advantages

- Obvious parallel to personal lives
- Invites us to think how commercial insurance complements reserves
- Implies there is an optimal amount



Natural & Human-made Catastrophes



Retained Risk on Insurance



Storms and Winds



Recessions



Other Risks



Floods

How We Analyzed Exposure to These Risks?



Monte Carlo computer simulation

- Has been around since the 1950s
- Standard practice in industries like insurance
- Basically, we built a multiverse of the City



Where the Data Comes From



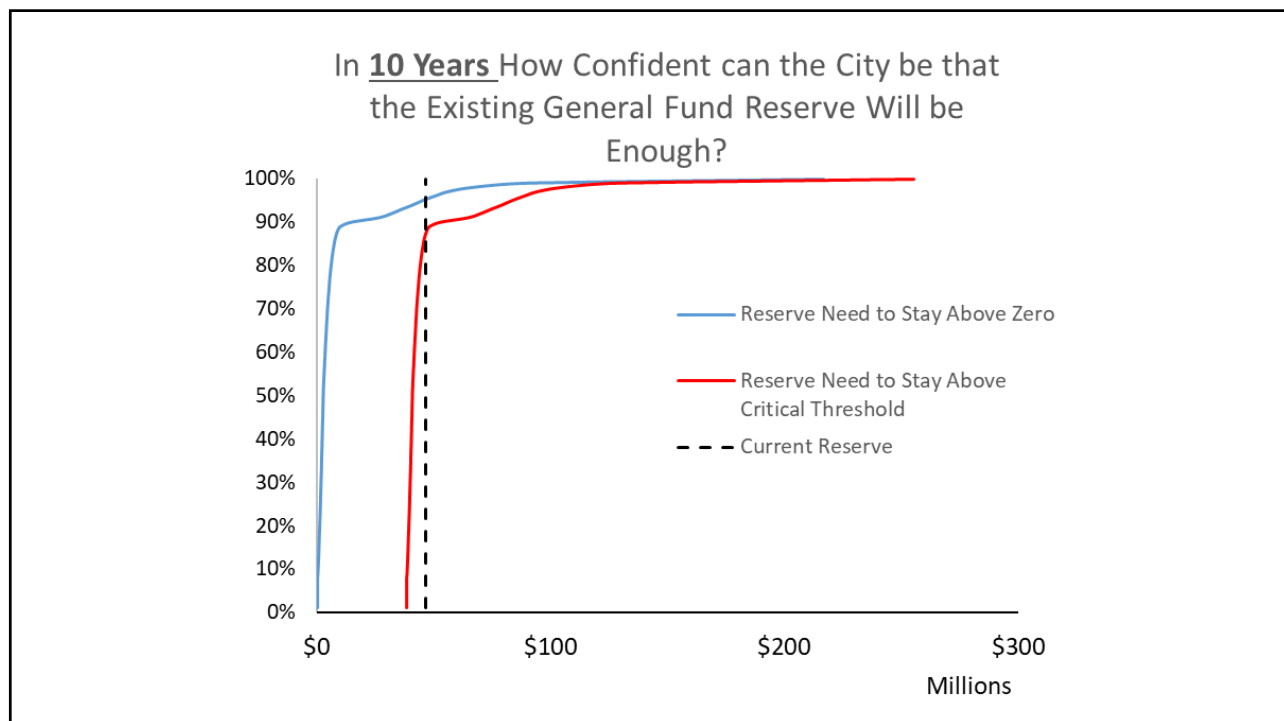
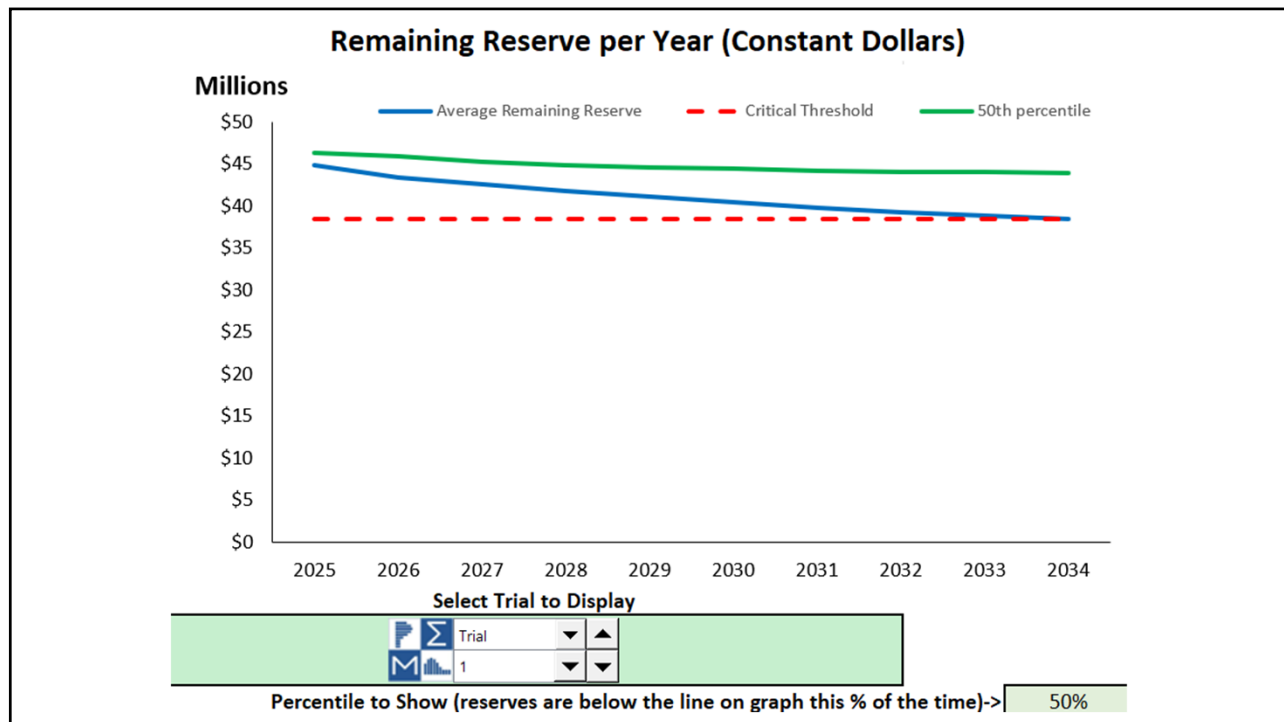
- The City's own historical experience
- Historical experience in the wider region
- County staff (e.g., Finance staff, County Hazard Plan, Risk Manager)
- Third party experts
 - FEMA
 - League of Cities
 - Snow statistics, Aon



Some important points...



- Risks don't add up like you might expect
 - Diversification and Interdependencies!
- The City will not “do nothing” if a bad thing happens – it will look for savings opportunities. We assumed a willingness to cut the budget and other mitigations
- Bond rating agency expectations can provide a useful point of comparison for reserves.



General Fund Results



- General Fund Results
 - Estimated year end: \$53,000,000
 - Recommend Range: \$46,000,000 - \$53,000,000
 - Minimum represents 80% chance at staying at critical threshold



Other Fund Reserves Under Review

Below are current reserve estimates for year-end.

We are reviewing the recommended ranges and will bring to Council in November.

Fund	Estimated Reserve at Year End 2025	Recommended Minimum \$	Recommended Maximum \$
Accrued Benefits	\$13 Million	Under review	Under review
Employee Benefits	\$3.3 Million	Under review	Under review
Insurance Fund	\$3.4 Million	Under review	Under review
Fire Pension Fund	\$7.3 Million	Under review	Under review
Water Utility	\$22.6 Million	Under review	Under review
Wastewater Utility	\$12.8 Million	Under review	Under review
Stormwater Utility	\$11.5 Million	Under review	Under review
Solid Waste Utility	\$2.5 Million	Under review	Under review
Fleet	\$1.9 Million	Under review	Under review
Facilities	\$13.9 Million	Under review	Under review
Public Safety Tech & Equip	\$3.6 Million	Under review	Under review
Information Technology	\$790,000	Under review	Under review



RETHINKING BUDGETING

SHOULD WE RETHINK RESERVES?

A Multimillion-Dollar Question





ABOUT THE AUTHORS

- **Shayne C. Kavanagh**, Senior Manager of Research, Government Finance Officers Association (GFOA)
- **Vincent Reitano, PhD**, Associate Professor - School of Public Affairs and Administration, Western Michigan University
- **Peter A. Jones, PhD**, Associate Professor - Department of Political Science and Public Administration, The University of Alabama at Birmingham

ACKNOWLEDGMENTS

- **Judith M. Marte**, Deputy Superintendent, Operations, Broward County Public Schools
- **Kevin A. Knutson**, Assistant County Administrator, Pinellas County - Office of the County Administrator
- **Josh Harwood**, Fiscal & Tax Policy Director, METRO
- **David Allen Hines**, Director of Operations, City of Pittston
- **Ian Tyson**, Senior Managing Consultant, PFM Financial Advisors
- **Katie Sabo**, Managing Director, Public Sector Partnership, Aon
- **Sam Savage**, Executive Director, ProbabilityManagement.org
- **Caroline Kousky**, Associate Vice President for Economics and Policy, Environmental Defense Fund
- **Christopher Forster**, Assistant Town Manager, Town of Bluffton
- **Timothy Blake**, Managing Director, Moody's Investor Service
- **Shayne Kavanagh**, Senior Research Manager, GFOA
- **Chris Morrill**, Executive Director, GFOA
- **Mike Mucha**, Director, Deputy CEO, RCC Center, GFOA
- **Katie Ludwig**, Director of Resource Development, GFOA
- **John Fishbein**, Senior Program Manager, GFOA
- **Jake Kowalski**, Consultant/Analyst, GFOA
- **Kyle Wedberg**, Senior Manager, GFOA
- **Chris Williams**, Consultant, GFOA

ABOUT GFOA

The Government Finance Officers Association (GFOA) represents over 21,000 public finance officers throughout the United States and Canada. GFOA's mission is to advance excellence in government finance. GFOA views its role as a resource, educator, facilitator, and advocate for both its members and the governments they serve and provides best practice guidance, leadership, professional development, resources and tools, networking opportunities, award programs, and advisory services.

ABOUT THE RETHINKING BUDGETING PROJECT

Local governments have long relied on incremental, line item budgeting where last year's budget becomes next year's budget with changes around the margin. Though this form of budgeting has its advantages and can be useful under circumstances of stability, it also has important disadvantages. The primary disadvantage is that it causes local governments to be slow to adapt to changing conditions. The premise of the "Rethinking Budgeting" initiative is that the public finance profession has an opportunity to update local government budgeting practices to take advantage of new ways of thinking, new technologies, and to better meet the changing needs of communities. The Rethinking Budgeting initiative will raise new and interesting ideas like those featured in this paper and will produce guidance for state and local policy makers on how to local government budget systems can be adapted to today's needs. We hope the ideas presented in this paper will spur conversation about the possibilities for rethinking budgeting. The Rethinking Budgeting initiative is a collaborative effort between the Government Finance Officers Association (GFOA) and International City/County Management Association (ICMA).

To learn more, visit gfoa.org/rethinking-budgeting.



Introduction and How to Use This Paper

The “Best Practices: Fund Balance Guidelines for the General Fund” is one of GFOA’s most often cited standards. However, GFOA’s consulting work with local governments has revealed that there are many opportunities for reserve optimization beyond the guidance provided in the Best Practices. This paper brings what we have learned together with university research to describe new opportunities for local governments to get the best value from their reserve strategies.

To help readers navigate to the parts of this paper that will benefit them most, we have summarized each of the main sections of this paper. If the summary of a section is sufficient for you, we invite you to skip the details of that section.

Section 1—Why Might We Need to Rethink Reserves?

We give four reasons. First, we live in an increasingly volatile and uncertain world. More uncertainty gives rise to more risk. Reserves are one of the tools used to manage risk, chiefly by “self-insuring” against certain risks. More risk means we need better reserve strategies. Second, the public has lower trust in government and experts. This means that governments will face more pressure to justify holding reserves and will be less able to appeal to claims of professional expertise as justification. Third, government is becoming more resource constrained, which means that all dollars, including reserves, must be used with increasing savvy. Fourth, technology makes it easier to analyze reserve strategies and optimize the strategy to the conditions faced by each local government.

[JUMP TO SECTION 1 →](#)

RESERVES VS. FUND BALANCE

“Fund balance” is an accounting term that, generally speaking, describes the difference between assets and liabilities. “Reserves” is a budget and policy term that describes the fungible resources available outside of the budget for use if the resources appropriated inside of the budget are insufficient. There is an overlap between “fund balance” and “reserves,” but the most important difference is that fund balance covers a broader range of resources. For example, fund balance could include prepaid inventories or receivables for delinquent taxes, neither of which is available for current spending.* This paper is focused on the budget and policy role of reserves.

* The Governmental Accounting Standards Board (GASB) provides guidance on how to classify fund balances to differentiate between amounts that are more constrained or less constrained in their potential use. You can read more about these classifications in: “GASB Statement No. 54, Fund balance reporting and governmental fund type definitions,” available at GASB.org.

Section 2—How Do We Rethink Reserves?

We start by changing our mental model. A mental model is a way of viewing the world. *Finance officers can help decision-makers make better decisions by giving them better mental models for public finance.* The traditional mental model for reserves is a “savings account.” We contend that an “insurance policy” has much to offer as a new and complementary mental model. This connects reserves directly to their role in managing risk and opens up new ways of thinking about reserves.

[JUMP TO SECTION 2 →](#)

Section 3—What Actions Can We Take to Rethink Reserves?

The actions below are critical to taking full advantage of the possibilities available from the reserves as insurance mental model. The ideas are presented in a rough order of importance.

1. **Risk-Based Reserve Analysis.** A perennial question in local government finance about reserves is “how much is enough?” The reserves as insurance model would say it depends on what your risks are. We’ll discuss different options for how local governments can take account of their risks.

2. **Develop a Comprehensive Reserve Policy.** A policy helps the government commit to savvy decision-making about reserves by showing why a smart risk-informed reserve strategy is good for the community and defining the boundaries of acceptable actions around reserves. Most important, a policy should address the amount in reserves that a local government will strive to maintain, including a minimum and maximum amount.

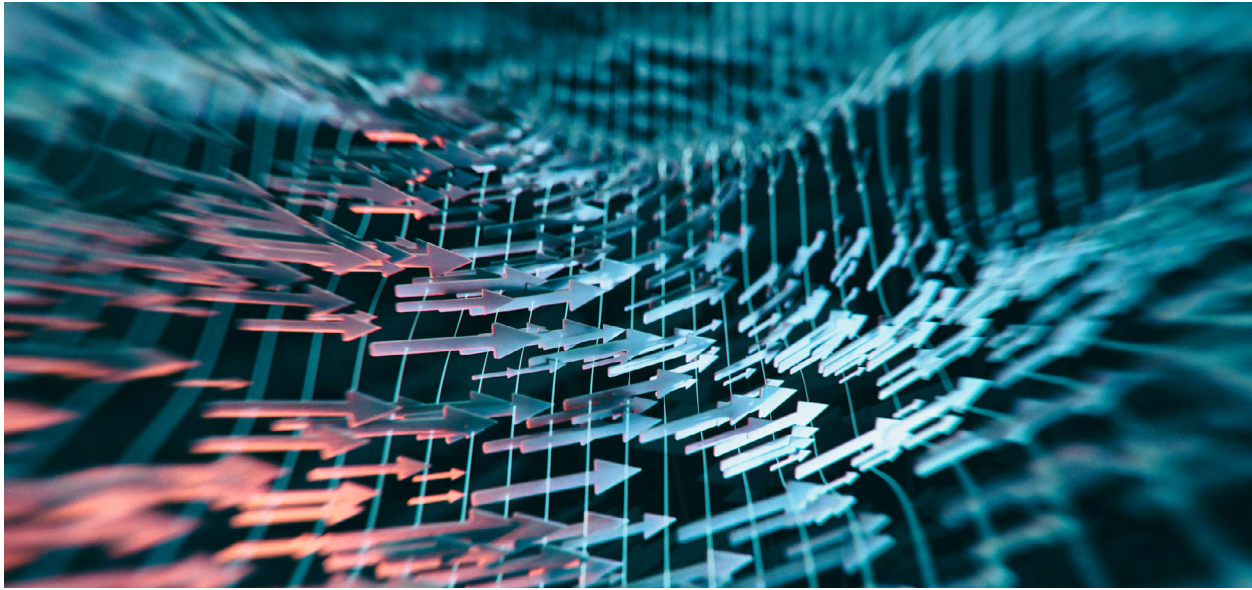
3. **Optimize the Combination of Commercial Insurance and Self-Insurance.** Commercial insurance and self-insurance each have advantages that can complement the other. If we think of reserves as self-insurance, it opens up new ways of thinking about the application of commercial insurance to the risks that local governments face. By using a risk-based approach to identify how much and for what severity of events reserve funds are needed, it becomes easier to identify pricing efficiencies between holding funds and purchasing private insurance.

4. **Optimize Investment Strategies.** Reserves are constituted by cash held back from current spending. Knowing how much cash is necessary to keep liquid to provide reasonable assurances for unplanned, unavoidable expenditures tells you how much can be invested in long-term, less liquid but higher yield instruments.

5. **Pool Risk.** Local governments often participate in *external* risk pools to save money. Local governments may have unrealized *internal* risk pooling opportunities. The reserves as insurance model highlights these opportunities.

6. **Understand Bond Ratings and Reserves.** Bond ratings are often used as a reason to maintain high reserves. However, the interest rate advantage will only be justified under certain conditions. Reserves as insurance asks us to consider if higher reserves are “worth” the cost to obtain a higher bond rating.

[JUMP TO SECTION 3 →](#)



SECTION 1

Why Might We Need to Rethink Reserves?

Reserves are the liquid financial resources* that local governments do not include in the annual spending plan. These resources are held back from the budget and held in “reserve” for some other purpose. The most important purpose is to respond to significant, unplanned, unavoidable costs or revenue losses, such as a natural catastrophe or recession. Another common purpose is as a sinking fund or “piggy bank” for a large, nonrecurring, planned future expenditure, like purchasing a capital asset. Reserves also support a strong bond rating by signaling to investors that the local government has resources to pay back debt even with potential disruptions to its financial position.

It has long been thought that having substantial reserves is desirable. Often it is thought that bigger is better. So why might we need to rethink reserves? The reasons are consistent with [many of those cited for GFOA’s Rethinking Budgeting initiative](#). Though, these reasons take on special significance when applied to reserves.

An increasingly volatile and uncertain world. Reserves play a role in buffering local government from volatility. However, if volatility is increasing, we should reexamine how reserves are managed to ensure local government has an adequate buffer. For example, damages from natural disasters have been on the rise in recent decades.¹ Reserves fund the response to natural disasters. Even if federal or state/provincial financial assistance is available, reserves fill the gap until assistance arrives, which can take months or even years.

Lower trust in government and experts. Local government’s stakeholders may be suspicious of large reserves, especially if it is not clear why the government is holding these resources instead of spending them on current services or cutting taxes.² In the past, the expert opinion of the finance officer, perhaps citing GFOA’s “Best Practices,” might have been sufficient to justify reserves, but expert opinion may not be so readily accepted in the future.³ Finance officers may need to be prepared to provide justification for reserves that rely less on appeals to expertise and more on the fundamental reasons why reserves are important.

* Typically comprising cash and investments that can be converted into cash.

Local governments are becoming more resource constrained. Local governments are expected to maintain a sizable reserve by “industry standards” and by bond rating agencies.* At the same time, local governments are facing more resource constraints, especially with employee health care and pension costs rising. For many governments, the increases in costs have consumed revenue increases, which may soon level off.† In fact, some economists believe that the United States’ long-term growth trajectory will slow; indeed, the general trend has been slowing growth since the 1970s.⁴ Further, long-term demographic trends point toward an aging population. Though the United States’ demographic outlook is not as dire as other developed countries, an aging population still does not bode well for local government revenues.⁵ In addition, legislative constraints limit revenue growth. For example, there is evidence that local government revenues do not recover as quickly from setbacks, like recessions, compared to the past, due to legislative constraints.⁶

Building reserves is a use of current revenues, and governments need to weigh the opportunity costs of doing so. Is it better to provide services today or save the money for later?

Rising costs paired with stagnating revenue growth means that local governments need to make efficient use of resources, including reserves. Building reserves is a use of current revenues, and governments need to weigh the opportunity costs of doing so. Is it better to provide services today or save the money for later?

None of this suggests that local government reserves should always and everywhere be lower than they are today. Instead, we should look for more and better options to provide buffers to local governments than reserves have traditionally provided. For example, are there opportunities to make more cost-effective combinations of commercial

insurance and reserves? This might not always lead to reserves going down. In fact, it could call for reserves to be increased as part of a high-deductible insurance strategy for some perils to reduce the total cost of risk (insurance plus reserves).

Information technology makes rethinking reserves easier. Information technologies, like some we will describe later in this report, make it easier to analyze reserve strategies and optimize the strategy to the conditions faced by each local government.

In the next section, we will discuss how to rethink reserves, with emphasis on the reserve’s role in managing risk. In Section 3, we will suggest several actions local governments can take to rethink their reserves and get better value from reserves for their communities.

* GFOA’s “Best Practices: Fund Balance Guidelines for the General Fund” recommends that, at a minimum, general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Moody’s Rating Agency looks for fund balances above 35% of annual revenue to provide a Aaa rating for General Obligation debt.

† Note: We are not referring to the impact of economic cycles (e.g., recessions) but rather the long-term trend across cycles.



SECTION 2

How Do We Rethink Reserves?

We begin rethinking reserves by starting from “first principles”—that is, why do local governments have reserves in the first place? *The answer is to reduce volatility and uncertainty in public finances.* Uncertainty exposes a government to financial risks. *GFOA has found that framing the reserve explicitly as a risk management tool and linking the reserve to concrete risks that decision-makers can appreciate is a great way to communicate why reserves are important.* Let’s examine the key risks that reserves guard against. We will see that there are many possible risks, and it is difficult, if not impossible, to buy commercial insurance to protect against many of them.

Cash flow risk is a concern, especially for governments where a major revenue source, like property taxes, is received only once or twice a year in large chunks, while expenditures occur evenly throughout the year. A similar problem can occur if large portions of state-shared revenue have to be authorized by the state each year through the state budget process. Delays in approving the state budget could result in delays in local government revenues. Reserves help smooth out resource availability and have important advantages over other options like tax anticipation notes (TANs). TANs can entail the risk of high interest rates, for example.

A big risk for many governments is revenue instability, with recessions being the major culprit. If a recession dramatically reduces revenue, then reserves can be used to help a government make a “soft landing.” For example, the City of Savannah’s sales tax was a large revenue source that was sensitive to the economy. The city, therefore, developed a sales tax stabilization reserve. When the Great Recession hit, the city was able to draw from the reserve and avoid layoffs.

RETHINKING IS LOCAL

Each local government will need to decide how to best apply the ideas in this paper to their circumstances. For example, a local government’s “reserves” are commonly associated with the general fund. Yet, many of the same ideas presented in this paper could apply to other funds, like enterprise funds.

There could be other sources of revenue instability, too. Perhaps a major revenue source is subject to changes in the political environment, as in the case of some state-shared revenue. It might also be the case that a local revenue source is subject to periodic reapproval by the voters. In one city the GFOA worked with, the potential for a major industrial employer to close was a risk because the city relies heavily on a local income tax.

Historically, reserves have not consistently been used by local governments to offset revenue losses from a recession.⁷ This has been, perhaps, the result of state and federal government support during the last two recessions that came through the American Recovery and Reinvestment Act of 2009 and the American Rescue Plan Act of 2021. While these pieces of legislation were a major help to local government fiscal health, local governments should not expect these to be available in future

GFOA has found that framing the reserve explicitly as a risk management tool and linking the reserve to concrete risks that decision-makers can appreciate is a great way to communicate why reserves are important.

recessions. Recovery funds require Congress to pass major legislation, and the rise of political polarization and gridlock makes this far from guaranteed. Even if the federal government offers relief, future funding might have restrictions, and it will be impossible for local governments to predict how much money they will receive. Hence, local governments would be wise to prepare to handle the impacts of recession on their own. Reserves provide another option, besides spending cuts.

Another major risk category is natural disasters like earthquakes, wildfires, floods, hurricanes, and the like. These can result in urgent needs like overtime

for first responders or shelter, food, and supplies for displaced families. They also sustain recovery from disasters by covering unforeseen expenditures like the cleanup that follows the initial devastation. Sometimes, a local government will have some of its costs reimbursed by the Federal Emergency Management Agency (FEMA) and/or state agencies. If this is the case, reserves are still important to cover the nonreimbursable costs, including lost revenue and fees and increased operating costs, while also fronting the costs until reimbursement arrives. GFOA sampled several local governments that received FEMA reimbursement for natural disasters and found it took an average of 18 months to be reimbursed.

Some extreme weather events might not be declared an “emergency” by national or state government. In this case, the local government may be on its own. A common example of this is an extreme snow season where an unusually large amount of snow may cause the local government to dramatically exceed its snow removal budget. Reserves could be used to fund the overage and be replenished by surpluses from light snow seasons.

Man-made disasters are also a risk. The possibility of hazardous material spills that cost a lot to clean up is one such risk that can have a material impact on local finances. Cyberattacks are another example of a man-made risk that might have implications for reserves. As of this writing, cyber insurance policies are becoming more expensive or totally unavailable to some governments. So a government might need to raise the deductible on a commercial policy or forgo a policy altogether. In this case, the government is self-insuring against cyberattacks either partially or fully, and reserves provide the financial backing. Capital infrastructure also presents risks that reserves can help mitigate. Debt is a powerful tool for local governments to finance infrastructure acquisitions, and reserves provide assurances to creditors that the local government is not at unacceptable risk of default. Reserves can also be used to pay for capital assets directly (i.e., cash financing).

There may be other risks we haven't covered that might be relevant to reserves. These risks might fall into categories of financial/economic, health crises, security, reputational, and more. Here are a few examples from governments the GFOA has worked with to analyze their risk exposure. You might think of others that are relevant to your jurisdiction.

- ➔ **Financial/economic:** For governments with large pension liabilities, a reduction in the rate of return on pension investments could increase the annually required pension payment.⁸ Reserves could be used to smooth out the impact on the budget.
- ➔ **Public health:** The COVID-19 pandemic is an extreme example of the potential financial impact of a health event. Less extreme outbreaks could still have financial impacts. For example, local governments with public health responsibilities in urban areas could face large costs from local outbreaks of serious diseases, like hepatitis.
- ➔ **Public safety:** Terrorism and civil disorder can cause a spike in public safety costs. It is worth noting that civil disorder events could become more difficult to insure against because social media can spread civil disorder beyond a local phenomenon.⁹ In other words, civil disorder in one community can easily spread to others. Insurance companies try to avoid insuring risks where this kind of “domino effect” is in play.

Recognizing that *reserves are essentially a tool for risk management* leads to our next point on how to rethink reserves: Adjust your mental model.

A mental model is a way in which we view the world. Mental models guide how we make decisions. *If public finance officers can give decision-makers a better mental model, they will make better decisions.* The traditional mental model for reserves is **a savings account**.

Indeed, the savings account has several advantages as a mental model. First, it's an easy analogy to grasp for people who are not public finance experts. Second, it has a seemingly obvious parallel to the personal lives of local governments' stakeholders. This is particularly true for the “sinking fund” function of reserves, as most people have experience with building up their personal savings to pay for some consumer expenditure or personal investment (e.g., education, house, car, etc.).

However, the savings account model has disadvantages as well.

First, the analogy to personal savings as a buffer against risk might not be as powerful as it seems. Personal savings rates have been in long-term decline.¹⁰ Not only that, but most consumers also start saving reactively, after an adverse event has occurred (e.g., recession, pandemic). Obviously, this is not a viable strategy for local government reserves.¹¹ Given the reactive strategy that most savers adopt, it is not surprising that most Americans are well short of the amount of personal savings that personal finance experts recommend keeping for an emergency.* Given the lack of emphasis on saving for an emergency, many people may now see personal savings more as a vehicle for saving up for future purchases than as a way to manage risk.¹²

RESERVES AREN'T ALWAYS THE ANSWER

We must recognize that reserves are not the best way to manage all of the consequences of the risks local governments are subject to. Let's take pensions. Though reserves could be used to cushion the initial shock from a reduced rate of return and consequent increase in required annual contributions, a government will, at some point, need to realign its annual spending to accommodate increased pension costs.

* The average American's monthly expenses are \$5,111. Fifty-one percent of Americans have less than \$5,000 in savings. Personal finance experts recommend more than one month's worth of expenditures, with three months regarded as the minimum. Information taken from: Backman, M. (2022, May 9). *Study: Average American's savings account balance is \$4,500*. The Ascent. <https://www.fool.com/the-ascent/research/average-savings-account-balance>

There is evidence that financial managers are more likely to view their own personal savings as a tool for managing risk compared to the average person. This means that the “saving account” metaphor for reserves may be more impactful in the minds of financial managers than it is for other people.¹³

Second, the savings account mental model implies that having more in your account is better. However, this is not always true with local government reserves. Local governments are faced with *opportunity* costs that are different from private individuals. Monies placed in reserves are resources that are removed from the private economy. It can be argued that **excess*** reserves could do better for the community if those resources were put to work in the private economy. Even if excess reserves weren’t returned to the private economy, a good argument could be made that the excess amounts should be used by the government to benefit the current generation of taxpayers (the ones who provided the money to create the reserve). Further, there are diminishing returns to putting aside money to offset risk. We will mathematically demonstrate this later in this paper. For now, a simple thought experiment will do. Imagine a person had \$10,000 in their savings account to offset personal risk. This is a healthy amount, but it is not hard to imagine circumstances where this amount proves insufficient. Now imagine another similar person had \$1 million in their savings account. It is much harder to imagine the circumstances where this would be insufficient. Now imagine each person was given an additional \$10,000. It is easy to see how the first person could better insulate themselves from risk by using this money to build their savings. It would be hard to argue that the second person would experience an equal gain in risk mitigation from building their savings further. The \$10,000 creates greater marginal benefit for the first person than the second. The same logic applies to government. We will address how to identify the point at which excess has been reached later, including establishing for floor and ceiling amounts on the desired level in reserves.

If the savings account mental model has important limitations, what is the alternative? **We propose insurance as a new mental model. This does not necessarily replace the savings account model but does supplement it by providing a new and better perspective on some of the most important purposes of a reserve.**

Insurance has an obvious parallel to people’s personal lives. Given that local governments hold reserves to manage risk, insurance is an accurate analogy for reserves. Further, insurance is purchased *proactively*, before an adverse event occurs; much like reserves must be built up ahead of time to prepare for future, unpredictable adverse events.

Another advantage of insurance as a mental model is that it invites local governments to think about how commercial insurance and self-insurance can work together for an optimized risk financing strategy. Reserves are a self-insurance strategy, but commercial insurance policies (those purchased from a broker) can supplement reserves. For example, commercial insurance could be useful for protecting against low probability but extreme consequence events. Later in this report, we will discuss specialized insurance policies called “parametric” insurance that are designed to provide the policyholder with compensation in the event of an extreme event.

RESERVES AS INSURANCE AND THE ELECTED BOARD

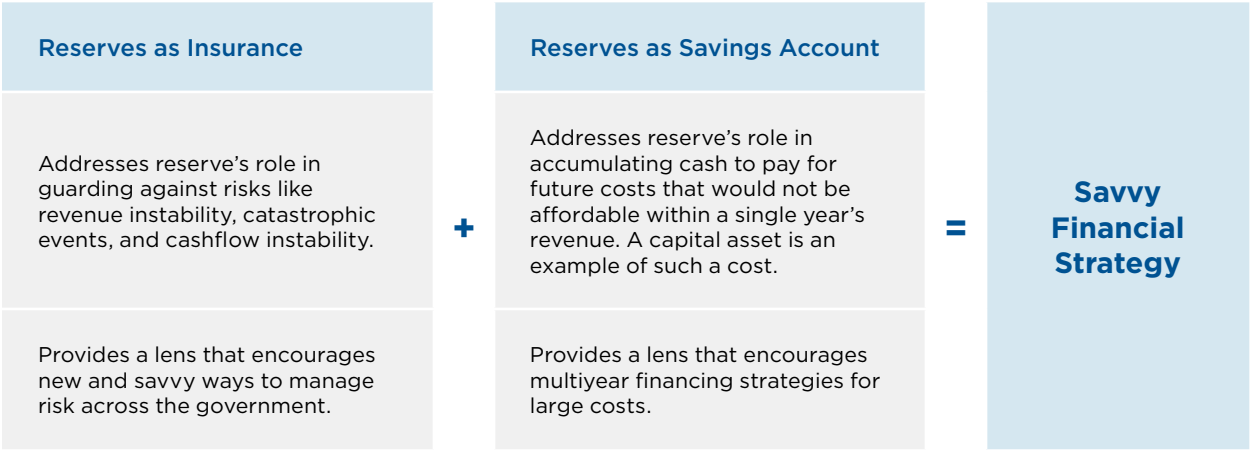
One author of this paper was part of a discussion with a city council about reserve strategy. One council member asked what the practical implications of spending the reserve would be. Reserves as insurance would point out that lower reserves would be the equivalent of taking a lower limit (or higher deductible) on your insurance policy. Reserves as savings account struggles with this question because an increasingly prevalent view is that savings exist to be spent.

* Of course, defining the point of excess is key. We will address that later in this paper.

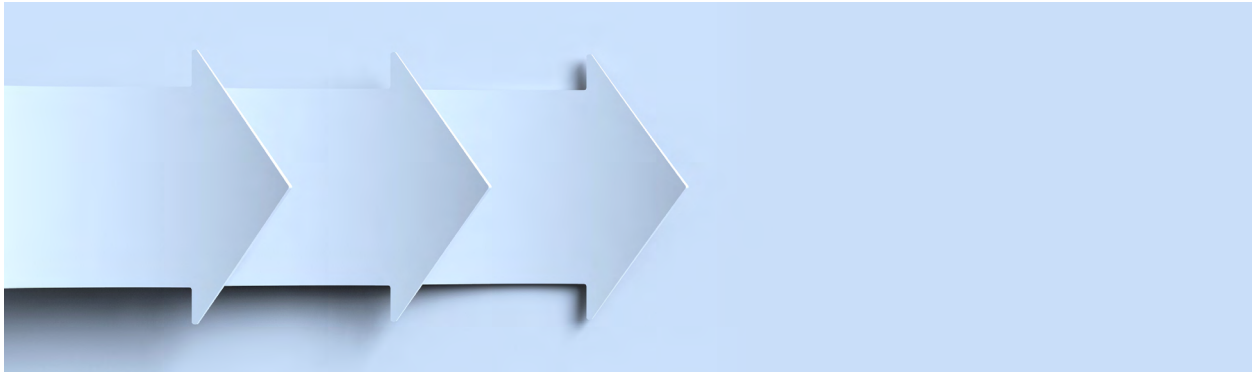
Using insurance as a mental model also implies that there is an optimal amount to have on hand. Nonexperts can appreciate that it is possible to either overinsure or underinsure the risks that you face. Insurance also implies that there is a point at which the “policy” should be used. Let’s consider recessions as an example. Recessions are the most important source of financial instability for local governments, so reserves can play a crucial role in counteracting downturns in economic cycles. However, there is little evidence that local governments use reserves during times of economic recessions.¹⁴ In the Great Recession, the 30 largest U.S. cities used their fiscal reserves, but only 25% of the 600 smaller cities studied drew down their reserves (the remaining cut spending).¹⁵ Failure to use reserves likely caused distress to the community in the form of interruption to public services. While local governments should consider spending cuts during a revenue downturn, a strong reserve can help avoid the most damaging spending cuts.

The insurance mental model is not without its disadvantages, though. Insurance can be an abstract and difficult concept to grasp, even in our personal lives. This means people sometimes don’t make optimal personal decisions about insurance, just like they make suboptimal decisions about personal savings. Another disadvantage is that the analogy becomes more complicated when commercial insurance and intergovernmental aid is considered. Taking these other risk management tools into account is necessary for an optimal risk management strategy, but the trade-off is additional complexity.

The reserves as insurance mental model addresses the risk management function of reserves well. The reserves as savings account mental model addresses the “sinking fund” function of reserves, so we do not suggest discarding the savings account mental model entirely. Rather, putting these two models together offers a more comprehensive perspective on the role of reserves.



With better mental models in place, we are positioned to think about the actions we can take.



SECTION 3

What Actions Can We Take to Rethink Reserves?

In this section, we'll look at the steps local governments can take to rethink reserves. We've summarized the major ideas and will discuss them in detail immediately after. The ideas are presented in a rough order of importance.

1. **Risk-Based Reserve Analysis.** A perennial question in local government finance about reserves is “how much is enough?” The reserves as insurance model would say it depends on what your risks are. We'll discuss different options for how local governments can take account of their risks.

2. **Develop a Comprehensive Reserve Policy.** A policy helps the government commit to savvy decision-making about reserves by showing why a smart risk-informed reserve strategy is good for the community and defining the boundaries of acceptable actions around reserves. Most important, a policy should address the amount in reserves that a local government will strive to maintain, including a minimum and maximum amount.

3. **Optimize the Combination of Commercial Insurance and Self-Insurance.** Commercial insurance and self-insurance each have advantages that can complement the other. If we think of reserves as self-insurance, it opens up new ways of thinking about the application of commercial insurance to the risks that local governments face. By using a risk-based approach to identify how much and for what severity of events reserve funds are needed, it becomes easier to identify pricing efficiencies between holding funds and purchasing private insurance.

4. **Optimize Investment Strategies.** Reserves are constituted by cash held back from current spending. Knowing how much cash is necessary to keep liquid to provide reasonable assurances for unplanned, unavoidable expenditures tells you how much can be invested in long-term, less liquid but higher yield instruments.

5. **Pool Risk.** Local governments often participate in *external* risk pools to save money. Local governments may have unrealized *internal* risk pooling opportunities. The reserves as insurance model highlights these opportunities.

6. **Understand Bond Ratings and Reserves.** Bond ratings are often used as a reason to maintain high reserves. However, the interest rate advantage will only be justified under certain conditions. Reserves as insurance asks us to consider if higher reserves are “worth” the cost to obtain a higher bond rating.



Risk-Based Reserve Analysis

GFOA strongly recommends that local governments adopt a formal policy that describes how much it will strive to maintain in its reserve. A perennial question, though, is “how much is enough?” The reserves as insurance model would say it depends on what your risks are.

The first step toward a risk-aware reserve target is to think of the target as a range instead of a single point. For example, a government might say, “Our policy is to maintain reserves *between 15% and 25% of annual revenue*,” rather than “...*equal to 20% of annual revenue*.” A range has several advantages over a single point:

- Risks are difficult or often impossible to estimate exactly. A range expresses that a government must have a margin of error to operate within. Conversely, a single point leaves ambiguity over whether actual reserves are too high or too low. To take our example: If the government’s policy was based on a single point (20%) and the actual reserves were at 17% of revenue, would that be acceptable? What if reserves were 27%? Would that be too high? The single-point policy is not clear about boundaries the government should stay within.* If the policy was based on the range, we’d know 17% was acceptable but 27% was too much. This feature of ranges not only helps with discussions among decision-makers about reserve strategies, but it might also help with explaining reserve strategy to the public.
- A range accommodates different risk appetites. The “right” level in reserves will be a function of the risks a government faces and of local officials’ willingness to bear those risks. A range can accommodate the views of risk-averse elected officials and less risk-averse officials. They can find grounds for compromise by negotiating a floor and ceiling that accommodates different appetites for risk.
- A range better supports the ongoing management of reserves. Reserves fluctuate from year to year. If the reserve stays in range, there is little need to revisit whether the actual reserve is too high or low. If the reserve falls outside the range, it suggests a clear course of action (i.e., do something to get it back in range). This helps make sure that reserves stay where they need to be to manage risks.
- A range includes a floor that communicates that there is a minimum amount necessary to be a good steward of the community but also a ceiling that communicates that there is an upper limit on the usefulness of reserves and a point at which excess resources should be devoted to some other purpose.

* Defining boundaries is essential to good financial public finance. See GFOA’s *Financial Foundations for Thriving Communities*, published May 2019.

The next step in developing a risk-aware reserves policy is to analyze the risks the local government is subject to. A risk analysis can take place at varying levels of sophistication. A qualitative or subjective risk assessment is the most accessible approach. A local government can review categories of risks, like those described earlier in this report, and: A) assess their exposure in each category; and B) consider if their reserve target accommodates that exposure. [GFOA has developed a simple template](#) to facilitate this kind of review.

The City of Berkeley, California, illustrates how the template can be used. The city's budget staff led the risk assessment and included participation from the public works, police, and fire departments. The city determined that the greatest exposure was "extreme events and public safety concerns," particularly earthquakes, fires, landslides, floods, hazardous material spills, and terrorism. Other important exposures included "expenditure volatility," due to upcoming large expenditure obligations that did not have a funding source, and "other funds' dependency on the general fund." The city's general fund was a backstop for other city operations outside of the general fund, so the general fund would be relied

A risk analysis can take place at varying levels of sophistication. A qualitative or subjective risk assessment is the most accessible approach.

[GFOA RISK ASSESSMENT TEMPLATE →](#)

upon if these operations were to encounter unplanned, unavoidable expenditures or revenue interruptions. By reviewing all the risks on [the GFOA template](#), Berkeley determined that it faced a moderate to high level of risk. The template suggested that between 25% and 35% of annual revenues would be reasonable to buttress the effect of routine downturns in the economy and respond quickly and decisively to major emergencies.

The advantage of a qualitative risk analysis is accessibility. The City of Berkeley (and many other governments) have completed such an analysis within their own resources. A qualitative analysis also can be effective for acclimating the government to being aware of risk as part of their

reserve strategy. Berkeley performed the analysis described above in 2016/17. The analysis helped convince the city to commit to reexamining its risk exposure five years later, and the city is doing so as of this writing (using the more sophisticated chance-based approach we'll describe later).

The disadvantage of a qualitative risk assessment is that the results are subjective. This means that there is likely to be a gap between: A) the reserve target suggested by the assessment and B) the optimal reserve amount, given the risks. There is no way to tell how accurate or inaccurate the subjective estimate might be, relative to the optimal amount.

Thus, the next step forward in sophistication is to quantify risks to reach a more objective estimate. A local government can look at historical experiences, the analogous experiences of other governments, and other sources of data to estimate the potential cost of the risks the local government is subject to. A quantified approach might be needed when there is controversy about the right amount in reserves. GFOA, for example, has worked with local governments where reserves were low, and an objective analysis was needed to see if there was a case for raising them. GFOA has also worked with and heard from governments where some felt the reserves might be too high, so an objective analysis was needed to see if there was a case for lowering the reserves.

A LIMIT OF ANY RISK ANALYSIS—THE PROBLEM OF UNKNOWN UNKNOWNS

A limit of any risk analysis is that you can only analyze the risks that you know of, or the “known unknowns.” Local governments could experience a loss from a totally unexpected source, or the “unknown unknowns.” For instance, five years ago, not too many governments would have anticipated the current tightening of the cyber insurance market, which might place pressure on local governments to partially or fully self-insure cyber risks. The COVID-19 global pandemic is another example of an unknown unknown.



Both examples illustrate how to deal with unknown unknowns. First, a local government should periodically update the risk analysis. Cyber risk losses have steadily been increasing across all local governments for several years, so cyber risk should have been on local government radars before the current tightening of the insurance market. Second, a local government should use reserves to cover multiple purposes. Though global pandemics were not considered a high risk by most local governments

prior to 2019, recessions certainly were. The economic slowdown caused by the COVID-19 pandemic could be considered a kind of recession. By grouping multiple risks together into the reserve, the reserve will be more likely to withstand the addition of previously unknown risks. We'll have more to say about this concept of “pooling” later in this report.

The easiest quantified approach to risk analysis is building a model where single numbers are used to represent the potential impact of risks. To illustrate, to estimate the risk from recessions, we might look back at past recessions to see the losses incurred from those recessions. We would see that the 2008 Great Recession represents a particularly bad recession. Perhaps revenues decreased by \$5 million, which might suggest that a \$5 million reserve could be necessary to be prepared for most future recessions. Outside studies and the experiences of other local governments can also help. The Town of Bluffton, South Carolina, used a publicly available university study that calculated the per capita cost to recover from hurricanes at different storm category levels.¹⁶ The town applied these numbers, adjusted for inflation since the study was completed, to derive a figure that the town used as the target number to hold for emergency recovery reserves.

The GFOA report [“A Risk-Based Analysis of General Fund Reserve Requirements”](#) describes how to perform this analysis, including how to account for the possibility of historically unprecedented events. The advantage of this “single-number” approach is that many governments should be able to perform such an analysis using their own resources. In fact, several governments have contacted GFOA to let us know they have followed the methods described in the GFOA report.

The single-number approach has an important disadvantage, though. “Risks,” by definition, are uncertain quantities. However, this approach represents these uncertainties as single numbers. This obscures the full range of risk that the government faces.

One of the most important consequences of obscuring the full range of risk comes in how a total reserve goal is determined. A total reserve target is the sum of potential losses from each risk a government is subject to. However, because risks are uncertain numbers, the sum is not as straightforward as adding

the single-number estimates of risk together. The most important potential error is dramatically overestimating the size of reserve the government needs. An explanation of why this is the case is best provided with [a video, which you can find here](#).^{*} For example, imagine that a local government is subject to three different types of extreme events, where there is a 5% chance of each occurring in a three-year period. A simple summation would lead a government to prepare for a 5% chance of each occurring (5% + 5% + 5%). However, because reserves can be used to respond to any extreme event, the optimal strategy is to think about the total risk from all extreme events at once. There is a small chance (less than 1%) of all three events occurring within a single three-year period (5% x 5% x 5%).

The way to overcome the disadvantages of the single method is to evaluate the full range of risk, rather than condensing risk down to a single number. We will call this “chance-based” because we can use the full range of risk to derive the chance that any given reserve level will be adequate to protect against the risks in question. GFOA has worked with several local governments to develop chance-based reserve models, also known as “probabilistic (or chance-based) simulations,” using Microsoft Excel and open standards for computer simulation from [ProbabilityManagement.org](#). These projects included working with elected officials to bring the results of the simulation into policy decisions. A full explanation of what chance-based simulation is and what it looks like is best accomplished [with a video, which you can watch here](#), and you can see a series of videos about simulation at [gfoa.org/risk-savvy-thinking-about-reserves-videos](#). The advantages of simulation are many, including:

- It is the best way to estimate the potential of pooling risks inside of local government. We will have more to say on this later in the paper. Suffice to say for now that risk pooling is a time honored and powerful strategy for reducing the cost of risk. You can learn more about risk pooling [in this video](#).
- It will provide the best estimate of the range of optimal reserves for addressing the risks that are included in the analysis. It also provides a clear illustration of the decreasing marginal benefit of accumulating too much in reserves and shows the point at which the marginal benefit decreases. You can watch [this video to see how](#).
- The simulation can address a multiyear time frame. This is important because reserve levels are not easy to increase quickly. You can watch [this video to see how](#).



All videos are available at:

[gfoa.org/risk-savvy-thinking-about-reserves-videos](#)

- A simulation can include forces that influence reserves outside of risk factors. For example, the simulation could include a local government's willingness to cut its expenditures instead of using reserves. Or the simulation could address how likely it is that a local government will generate budget surpluses that build up reserves and offset losses. The video on analyzing a multiyear time frame provides an illustration of how willingness to cut expenditures can be integrated into a simulation.
- Simulations can highlight the full range of risk a local government is exposed to—from risks that could be easily self-insured all the way to catastrophic risks that are impossible to fully self-insure. This helps highlight the need for strategies like preventative investments and a robust disaster response strategy.
- Chance-based simulation is the same method used by insurance companies to develop policies, so it has proven to be best suited to problems of insurance.

The major disadvantage of chance-based simulation is that it is more complex than the single-number analysis method. Though chance-based simulations can be conducted in Microsoft Excel,¹⁷ GFOA is not aware of any local government that has conducted a simulation of reserves without outside consulting support. Also, the results are often expressed in odds and probabilities, and though odds and probabilities are essential for the best understanding of risk, they are not the first language of many people. Thus, explaining the result of the simulation can be more difficult than a single-number analysis. That said, GFOA's experience is that it can be done—especially with the help of interactive models, like those you can see in the videos above. In fact, we have yet to meet an elected official who could not grasp the essential ideas of a chance-based analysis.



RETHINKING RESERVE CHECKPOINTS

Develop a Risk-Aware Reserves Policy

- ☐ Express your reserves policy as a range of desired reserves, with a floor and a ceiling.
- ☐ Conduct a risk analysis to get a sense of how the risks you face impact the reserves you should hold. We presented three methods of reserve analysis of varying sophistication. Any of them would provide a reasonable basis for a more informed discussion with policymakers about why reserves are necessary and how much should be kept in reserves.
- ☐ Quantification of risk offers important advantages over subjective approaches. We described both “single-number analysis” and “chance-based simulation” methods of quantification. A quantified approach might be particularly useful when there is a strong sense among decision-makers that existing reserves are too high or too low.
- ☐ The single-number analysis will be more accessible to local governments than a chance-based simulation. However, a chance-based simulation is better; it is how insurance companies conduct their analysis. The choice between the two depends on factors such as a government's ability to pay for outside consulting support, demand from the audience for a more rigorous analysis, and the number of risks and size of reserves in question (more/bigger risks and reserves means more potential to make the best use of funds by optimizing the size of the reserve).

Develop a Comprehensive Reserves Policy

A reserves policy is a method to “pre-commit” the organization to wise decisions about reserves. Rather than deciding on reserves strategies in the heat of a moment when a tough decision is required, a policy can be developed when the pressure is off. That policy then provides the boundaries for decision-making when difficult decisions need to be made about reserves. A policy should address the following: 1) why reserves should be accumulated; 2) how much should be accumulated; 3) what strategies should be used for accumulation; and 4) when and for what purpose reserves can be used.

Regarding the question of “why,” the answer is to protect the local government against risks, ranging from weather events like flooding, earthquakes, wildfires, and snowstorms to man-made problems like lawsuits against the local government. Citing in policy locally relevant risks and the notion of self-insurance can help answer the question of “why” reserves are needed.

A reserves policy is a method to “pre-commit” the organization to wise decisions about reserves.

A policy should also address the “savings account” role of reserves in saving up for larger projects. Differentiating the “insurance policy” role of reserves from the “savings account” function could help decision-makers be savvier with their reserve strategy.

Our prior section on risk-based reserve analysis addressed how much to accumulate, including a recommendation that reserve targets be expressed as a range. A policy can also discuss strategies to use for accumulation. This could be as formal as formulas tied to any yearly surplus or even a formal budget allocation to hold back some amount of a year’s revenue for building a reserve. A policy could also allow for a less structured approach by encouraging surpluses and one-time revenue to be used to build the reserve, if the local government is below its target range. In fact, a government could apply some of the same risk savviness we’ve been discussing in this paper to its forecasting in order to estimate the size of surpluses that could be produced by a given spending plan. You can read the article [“Speaking Uncertainty to Power: Risk-Aware Forecasting and Budgeting”](#) to see how one government did just that and use our [mini stress test demonstration](#) to conduct the same analysis featured in the article.

A policy should also address how reserves can be used. Most important, a policy should discourage reserves from being used for ongoing expenditures (e.g., hiring more employees) because reserves are not an ongoing resource. An exception might be made for supporting continuity of public services in the face of a revenue interruption, like a recession. This would be temporary until revenues recover or until expenditures can be restructured to be affordable under the revenues that are available.

A policy that addresses these points helps to foster a better and shared understanding of reserves in relation to the maintenance of public services amid the risks the government faces.



“THE BEST CONVERSATION WE’VE EVER HAD ABOUT RESERVES”

GFOA worked with the City of Vista, California, which went from a policy where the reserve goal was defined by a single point to a policy with a risk-informed range. Based on this new approach, the council engaged in a wide-ranging and thoughtful discussion about the city’s reserves—with the Deputy Mayor characterizing it as “the best conversation we’ve ever had about reserves.”

A finance officer will also have to consider whether and how to describe the reserve relative to the “fund balance” figures that are included in the annual financial report. Governmental Accounting Standards Board (GASB) Statement No. 54 provides a series of categories of fund balance that have to be reported. Usually, however, reserves will have to be reported in the “unassigned” fund balance category. The finance officer can make the link between the reserve (i.e., a budgetary/financial planning strategy) and fund balances (i.e., an accounting mechanism) in the notes to the financial statements or as supplementary information in the annual financial report, or in budget documents. In this way, decision-makers can see the link between the fund balance, the financial statements and differentiate between net resources that are available for use as self insurance, and those that are being put aside for spending on a future project, for example.

Finance officers could positively influence how stakeholders think about reserves by developing a comprehensive policy that describes why reserves are important to the community amid a budgetary shortfall or other contingency, the range of reserves that is prudent to maintain, and transparency on how reserves (a budgetary strategy) connect to the total fund balance available in financial reports. You can access a template for developing a reserve policy [here](#).



RETHINKING RESERVE CHECKPOINTS

Develop a Comprehensive Reserves Policy

- ☐ A reserves policy is a method to “pre-commit” the organization to wise decisions about reserves.
- ☐ A policy should address the following: 1) why reserves should be accumulated; 2) how much should be accumulated; 3) what strategies should be used for accumulation; and 4) when and for what purpose reserves can be used.
- ☐ The finance officer should strive for transparency in how reserves (a budgetary policy) are reflected in the reporting of fund balances in the annual financial report (an accounting mechanism).

Optimize the Combination of Commercial Insurance and Self-Insurance

Commercial insurance is a valuable complement to reserves. A useful analogue is self-insurance programs for employee health care. Self-insurance of employee health care has been shown to provide potential savings for employers compared to commercial insurance.¹⁸ However, few governments would self-insure every last dollar of potential loss. Instead, self-insured governments often purchase “stop loss coverage,” where a commercial insurance policy kicks in after a certain size of loss is reached. Thus, the government is spared: A) the cost of covering extremely large losses and B) the cost of the more expensive premiums that would come with using commercial coverage for more routine losses.

A similar concept can be applied to the risks a reserve is “self-insuring” against. Reserves will be most useful for lower magnitude, higher frequency risks. Commercial insurance is of the greatest value when the losses from catastrophic risk would be unaffordable. Let’s examine some practical applications of this idea.

The most straightforward example is to purchase higher deductible insurance policies for liabilities that are commercially insured. This strategy is useful for insurance policies that have become more expensive due to market conditions. Insurance against cyberattacks is a prime example, with some governments experiencing 100% year-over-year increases in prices as of this writing. For example, because of the increasing cost of policies, Mecklenburg County, North Carolina (covering Charlotte and surrounding areas), went from a \$1 million deductible with \$15 million in coverage to a \$5 million deductible with \$10 million in coverage.* The county has substantial general fund reserves, so it can “self-insure” the larger deductible and the lower limit.

* The county also negotiated several exclusions and limitations to the policy. This means the final price of the new versus the old policy is not comparable.



Another application might be “parametric insurance.” Parametric insurance policies pay out a set sum of money when a given condition comes to pass. For instance, a policy might pay out \$10 million if hurricane wind speeds in the community reach 120 miles per hour. Parametric policies are in wide use in many other sectors but are a relatively new instrument for local governments. Parametric policies might be most useful for catastrophic events where a local government’s reserve would be stretched to respond. Of course, federal and/or state assistance often is available for these kinds of events but also often take over a year to arrive.* Further, some costs of a catastrophic event may not be reimbursable by the state or federal government. For instance, if the tax base is so damaged that tax revenues do not recover quickly, the funds from a parametric policy could help fill the gap. Also, parametric policies provide full coverage on day one after the policy goes into effect, whereas it could take years to build up a reserve sufficient to cover the full impact of a catastrophic event. Parametric policies can also be designed around a specific geographic area. For example, perhaps an area where low-income people live is particularly vulnerable to a certain kind of hazard. A policy could be developed to provide a payout for an occurrence of that hazard in that area. That would allow the local government to provide additional support to the people who live there.†

You can read more about parametric insurance in the GFOA report [“Parametric Insurance: An Emerging Tool for Financial Risk Management.”](#) The report includes case studies of local governments that have purchased parametric policies and how insurance policies complement FEMA reimbursement.



RETHINKING RESERVE CHECKPOINTS

Optimize Commercial Insurance Combined With Reserves

- ☐ Consider if you have commercial insurance policies where a higher deductible could be self-insured by reserves. The highest potential will usually be with policies where premium prices are going up substantially.
- ☐ Consider if a parametric insurance policy could supplement reserves. Parametric insurance might be particularly useful when a government finds that it is underinsured for a catastrophic risk. This is because parametric insurance can provide additional coverage immediately, while it could take years to build an equivalent reserve.

* According to a sample of data obtained by GFOA, it takes 18 months, on average, for a local government to obtain FEMA reimbursement.

† Kousky, C., & Wiley, H. (2021, January). Improving the post-flood financial resilience of lower-income households through insurance. *Wharton Risk Management and Decision Process Center Issue Brief*.

Optimize Investment Strategies

Insurance companies invest the monies collected from premiums to make substantial profits.¹⁹ A government's reserves are basically premiums collected from the community to stabilize their government services against risk. Those monies held in reserves will be idle most of the time, so governments can adopt savvy investment strategies for their reserves.

A risk analysis, like we described earlier, is essential for a savvy investment strategy. A government can divide their idle funds into tranches, where each tranche represents a different likelihood of the government needing to access the money for emergency purposes. As a simple example, let's assume a government has only two investment options: 1) short-term, lower earning; 2) long-term, higher earning, where the term of the investment is three years. Let's assume a government does a risk analysis that suggests that \$10 million is a good ceiling amount for its reserve, and the government has \$10 million in its reserve. The risk analysis also suggests that there is only a 10% chance that the government would need to use more than \$9 million of its reserve in the next three years. Thus, decision-makers conclude that putting \$1 million in

The decision to invest in any combination of assets with different risk/reward profiles will, at some point, depend on the subjective appetite for risk of the decision-maker.

investment option 2 is worth the risk. This leaves \$9 million in the shorter-term, lower-earning investments, but which provides greater ability to access the cash if the need arises. Research by one financial technology firm that helps local governments determine their investable resources suggests that there are large gains in investment returns available by following a more risk-savvy investment strategy, like that described above. Data provided by this firm suggests that the potential improvement in returns are as much as 35% to 40% more than what most governments get currently from the resources that comprise their reserves.²⁰

Our example assumes a probabilistic risk analysis, but a less rigorous risk analysis could still help reach a similar conclusion. For example, if a less rigorous analysis suggests that \$10 million is the ceiling amount for reserves, then we know that amounts closer to the ceiling are far less likely to be used than the "first dollar" that comprises the reserve. Thus, a government would still have the bulk of the \$10 million invested in more liquid assets, while placing a smaller amount in a less liquid, higher return asset.

Our example also reveals a potentially sticky question. The decision to invest in any combination of assets with different risk/reward profiles will, at some point, depend on the subjective appetite for risk of the decision-maker. Going back to our example, who is to say that a 10% chance of needing more than \$9 million is the objectively correct threshold for investing the remaining \$1 million in longer-term securities? Perhaps some people would be comfortable with a 15% or 20% chance, while others may be uncomfortable with as high as 10%. These decisions will have to be discussed with the relevant decision-makers to come to a consensus. GFOA's experience has been that reaching agreement is easier when based on an objective analysis, like a risk assessment. GFOA has done this kind of analysis with its own finances and found that reaching agreement on the preferred investment strategy was not that difficult, as the risk analysis provided objective criteria and data for decision-makers.



RETHINKING RESERVE CHECKPOINTS

Optimize Investment of Reserve Funds

- ☐ Use a risk analysis to identify tranches of funding, ranging from more likely to be needed to cover unplanned, unavoidable needs to less likely. The less likely tranches may be candidates for less liquid, higher return investments.
- ☐ Convene a discussion with the relevant decision-makers to determine the level of risk the government is willing to take on with respect to investment liquidity versus the potential need to draw upon reserves.

Pool Risk

Risk pooling is widely recognized and a time-honored strategy for reducing the cost of risk. The reason pooling works is diversification. Put simply, it is unlikely that a loss event will happen to all the pool participants at the same time. For a more in-depth explanation, you can [watch this video](#).

Local governments often pool risk across multiple local governments (regional insurance pools). Local governments also pool risk inside their own organizations. Let's return to our example of employee self-insurance. Local governments do not set up separate self-insurance pools for each department or for each accounting fund. All employees fall under the same self-insurance program. This saves money because the total amount needed to insure the entire organization is less than you would need if you insured each department separately. We also addressed this concept earlier—that risks don't add up the way you might think. We also explain the concept in more detail [in this video](#).

Similarly, local governments could realize some advantages from pooling reserves. There are many opportunities to apply pooling, though these opportunities have varying degrees of difficulty.

The first and easiest way is to make sure there are no unrealized opportunities for pooling within the general fund. For example, some governments set up one reserve for economic uncertainty (e.g., recessions) and another for extreme events (e.g., natural disasters). These two reserves could be pooled. Because recessions and natural disasters are unlikely to occur at the same time, a combined reserve should be more cost-effective.* The combined reserve could still be labeled as a reserve for extreme events and economic uncertainty to make the intent clear but without keeping the two reserves separate. The most accurate way to judge the potential savings is the probabilistic risk analysis described earlier. Combining reserves in order to make the money in the reserves more fungible could improve cost-effectiveness for the same reasons we described in our employee health plan self-insurance example.

Another possibility is to define policies for emergency interfund borrowing. The idea is that the total reserved across the entire government could be less if each fund did not have to prepare for the most extreme circumstance but could rely upon financial backup from other funds in extreme cases. You can read the GFOA article [“The Last Line of Financial Defense? Internal Loans in Emergency Situations”](#) for more on how to develop a policy.

An option that could present some challenges also presents large potential payoffs—and that is to pool reserves across funds. It has a large potential payoff because the amounts involved will be large. It can be challenging because monies may be segregated into different funds for legal reasons such that there might be practical barriers to operating such a pool. Pooling funds will be most effective when

MENTAL ACCOUNTING AND RESERVES

“Mental accounting” refers to the practice of dividing money into separate buckets in our personal lives, such as the “vacation money” versus “the kids’ college fund.” Economists have shown that mental accounting leads to suboptimal financial decisions, though there is a good argument to be made that mental accounting is useful for navigating life, even if financially suboptimal.²² Mental accounting may not be so different from when local governments place monies into different categories. The trick to avoiding the worst consequences of mental accounting is avoiding excessive limitations on fungibility of money while still being clear about the government’s plans for its funds and why those plans are important. Risk analysis does this by making clear why it is important to have funds in reserve and how much should be kept in reserve.

* For more on this point, see the video that describes pooling.

two conditions are met: 1) the funds involved do not have legal restrictions in place that make pooling impractical; and 2) the risks faced by funds are not overly similar. If the risk profiles of the funds are similar, then pooling will not be of great benefit. This is because each fund will receive a shock when a given risk happens. However, if the funds have substantial differences in their risk profiles, then pooling could be quite valuable. A given risk may give a shock to one fund but not the other. The fund that was not shocked can support the fund that was shocked.

Many local governments may be unwittingly pooling the reserve risks of several funds. In our work with local governments, we found that an important risk for the general fund is that the general fund is often a de facto “backstop” for other funds. If those funds run into unplanned, unavoidable emergency financial needs, then the general fund is on the hook. Rather than building up separate reserves in each fund, it may be better to formalize the current state of affairs and enhance the pooled approach by pulling in the pool of other funds that have their own reserves.

The reason pooling works is diversification. Put simply, it is unlikely that a loss event will happen to all the pool participants at the same time.

We will note that GFOA is not the only one to advocate for the potential of pooling reserves. In Moody’s November 2022 “US Cities and Counties [Bond Rating] Methodology,” Moody’s introduced a governmentwide evaluation of fund balance into its rating methodology. The strength of fund balances and held cash *combined* across all funds is worth 30% the foundational score when Moody’s evaluates a government’s creditworthiness.* Moody’s found that the fund balances in different funds are often flexible enough that different funds can support each other. Moody’s believes that there is enough potential

for interfund support to justify evaluating across the entire government instead of fund by fund. This marks an evolution of Moody’s approach, which used to be focused on specific funds.

Finally, let’s address regional pooling. Local governments often participate in regional insurance pools, so why not regional arrangements for the risks the reserves guard against? The reason this may not provide as much benefit as one might expect is that the types of risks the reserves guard against (e.g., natural catastrophes, recessions) impact the entire region. If all members of a pool are impacted at the same time by the same risk, then a pool loses its value. Another way to think about it is that a pool within government brings together funds that might have *different* exposures. A pool between governments brings together funds (e.g., multiple general funds) that have *the same* exposures.



RETHINKING RESERVE CHECKPOINTS

Apply Risk Pooling to Reserves

- ☐ If you have separate reserves in the general fund for different risks, combine those reserves.
- ☐ Develop a policy for emergency interfund borrowing.
- ☐ Consider pooling reserves across funds within your government. In some cases, you may already be de facto pooling the general fund with financially weaker funds. Improve your risk portfolio by adding other strong funds to the pool.

* We should note that Moody’s separates “fund balance ratio” and “liquidity ratio,” but both cover all funds. Also, it is important to note that the base score is a starting point, and Moody’s analysts may adjust a final rating up or down based on contextual factors particular to the local government being evaluated.

Understand Bond Ratings and Reserves

A rationale for holding a higher amount in reserves is that it will support a strong bond rating, which will translate to lower interest costs on the money a government borrows. Reserves play an important role in the ratings process. We can illustrate with Moody's Investors Service: According to Moody's rating methodology, available *fund balance ratio** is worth 20% of the rating. Moody's also examines liquidity ratio† because fund balance is an accounting term that can include assets not available for current spending. The liquidity ratio constitutes an additional 10% of the rating methodology. Thus, fund balance and cash together comprise 30% of the total ratings methodology.

First, it is worth remembering that “fund balance” and “reserves” aren't the same, though they are related. Fund balance includes a wider scope of resources, so it will be a larger number than reserves. With this in mind, we can see that fund balance/cash plays an important role in the ratings method. But what is considered a good level of fund balance? According to Moody's, the “Aaa” rating (the highest) is associated with fund balances in excess of 35% of revenues. The “Aa” rating is associated with fund balances between 35% and 25%, and the “A” rating with 25% to 15%. That said, it is important to remember that while 30% of ratings evaluation is comprised of fund balances and cash, 70% is not. Further, the Moody's documentation is clear that ratings analysts will consider local factors and other idiosyncrasies to arrive at the final rating. Thus, it is possible to have fund balances/cash below the range for a given rating yet still achieve that rating (or even a better rating).

We also examined rating methodology documentation from S&P Global. Though the specifics of their method are different, the general conclusion is the same: Fund balances play an important, but not decisive, role in arriving at a final rating. A higher amount of fund balance will contribute to a higher rating, but it may not be sufficient to guarantee a higher rating. Similarly, a lower fund balance is not guaranteed to consign a local government to a lower rating. Other factors weigh more heavily, and ratings analysts have some discretion in assigning ratings based on local context.

Now that we know the role of fund balance in bond ratings, the next question to ask is: “Is a higher bond rating ‘worth’ the cost to obtain it?” A bond rating upgrade has a quantifiable benefit, which is the interest savings available at the next highest bond rating. To the extent that higher fund balance (and higher reserves) can move a local government from one bond rating to the next, then it is possible to measure the benefit.



* The formula is: Available Fund Balance ÷ Net Current Assets/Revenue

† The formula is: Unrestricted cash/revenue



Let's get a sense of the interest rate differences between bond ratings. Exhibit 1 shows the differences between interest rates (percentage points) at different bond ratings from 1993 to 2022. We show a 90% confidence range, which omits outliers on both the high and low side. It also is notable that the midpoint (median) is closer to the low side of the range. This means, most of the time, the differences between ratings are closer to the low value than the high value.

EXHIBIT 1 | HISTORY OF INTEREST RATE DIFFERENCES BETWEEN BOND RATINGS, 1993 TO 2022²³

Percentage point differences from going from a higher to lower rating →		AAA → AA	AA → A	A → BAA	Notice that the midpoint is closer to the low side of the range. This means most of the time the differences between ratings are closer to the low value than the high value.
90% of the time, the difference is between these points.	Low	0.09%	0.10%	0.12%	
	Mid	0.11%	0.20%	0.38%	
	High	0.25%	0.62%	0.97%	

What are the implications of the differences in interest rates? First, let's get a sense of the differences in the total cost of bond issue due to an interest rate difference. Let's imagine a 30-year, \$200-million bond issue at 3% annual interest with a rating of A. The total cost of interest over the life of the bond issue would be about \$106 million. If that same bond issue were to be issued with a rating of AA, let's assume it would enjoy an interest rate that is better by 0.20% (the midpoint on our table). In that case, the total interest rate paid over the life of the bond would be about \$98 million, or a difference of about \$8 million. This equates to an average of about \$260,000 per year. Conveniently, the midpoint for changes between ratings in the other columns on our table is roughly half or double the midpoint in Exhibit 1, so it is easy to imagine the financial benefit at other bond rating levels.

The question of whether these benefits are worth the cost of accumulating more fund balance depends on several factors, such as:

- **How much debt a government issues.** If a government issues more debt, it will get more benefit from a lower interest rate (assuming it will issue the same amount of debt no matter its rating).
- **The duration of the payback period for the debt.** A longer payback period will result in the government paying more total interest over the life of the bond, making a lower interest rate more impactful.
- **How high a bond rating would be without accumulating a large amount in reserves.** For example, we can see in Exhibit 1 that the interest rate benefit between: 1) AAA and AA is much smaller than 2) A and BAA. This means that, all else being equal, a government that can improve from BAA to A by accumulating fund balance would benefit more than a government that can go from AA to AAA.
- **The opportunity costs of holding fund balances and reserves.** Fund balances/reserves are not costless to hold. Money held by the government is money taken out of the private economy. A less abstract opportunity cost is the public service forgone by not spending this money. In a private firm, the opportunity cost of idle funds is, essentially, the rate of profit that could be made by directing the funds to a business opportunity. Unfortunately, there is not yet a widely accepted, useful way to measure opportunity costs of idle funds in local government. The effect of this has been that the cost of holding idle funds in local government is often underestimated.
- **Secondary benefits of a higher bond rating.** A higher bond rating might confer prestige to the local government, perhaps resulting in greater trust and confidence from the public or making the locality more attractive to businesses.
- **How much additional “coverage” from risk more reserves will buy.** This speaks to the marginal value from accumulating more reserves. If the additional reserves are unlikely to be used, then the potential benefit from the standpoint of risk mitigation is low. That said, we should remember that rating agencies are measuring fund balance and cash. A local government could also accumulate reserves as part of a sinking fund to pay for a special project. The monies in the sinking fund would count positively in the rating agency evaluation.



RETHINKING RESERVE CHECKPOINTS

Understand Bond Ratings and Reserves

- ☐ Fund balances and cash are an important but not an overwhelming determinant of bond ratings.
- ☐ Because fund balances/cash are not costless to accumulate and hold, governments should ask if a higher bond rating is worth the cost of holding. The cost versus benefit of a higher bond rating is a function of the amount and duration of debt the government issues, the likely improvement in interest rates available from a rating increase, the marginal improvement in risk management available from holding more reserves, and the opportunity cost of holding fund balance/cash.

Conclusion

Reserves help local governments manage risks by making resources available for unplanned, unavoidable expenditures and revenue interruptions. This makes reserves a form of self-insurance. We have advocated that local governments treat reserves more like self-insurance, including using insurance metaphors to discuss and plan reserve strategies, using risk analysis to determine the size of the reserve, complementing reserves with commercial insurance strategies, pooling risks that reserves are used to cover, and more. This will help local governments make savvier financial decisions about how to manage risk and make their communities more prepared for a volatile and uncertain world.

ENDNOTES

- ¹ For examples of research examining the relationship between natural disasters and reserves, please see the following journal articles:
 Chen, G. (2019). Assessing the financial impact of natural disasters on local governments. *Public Budgeting & Finance*, 40(1), 22–44.
 Lee, S., & Chen, G. (2022). Disaster experience and governments' savings: The moderating role of organizational capacity. *Journal of Public Administration Research & Theory*, 32(3), 591–609.
 Pope, J. V., & Leland, S. M. (2019). Isn't a flood a "rainy day"? Does the political nature of disasters impact the uses of states' rainy day funds? *Social Science Quarterly*, 100(7), 2555–2565.
- ² For further discussion, see, for example: Stewart, L. M., Hildreth, R. W., & Antwi-Boasiako, K. B. (2017). The fund balance conundrum: An ethical perspective. *Administration & Society*, 47(8), 915–942.
- ³ For data on declining trust in experts, see: Funk, C., Tyson, A., Kennedy, B., & Johnson, C. (2020, September 29). Science and scientists held in high esteem across global publics: 1. Scientists are among the most trusted groups in society, though many value practical experience over expertise. *Pew Research Center*. <https://www.pewresearch.org/science/2020/09/29/scientists-are-among-the-most-trusted-groups-in-society-though-many-value-practical-experience-over-expertise/>
- ⁴ For an example of an analysis of growth rates over time, see the work of economist Robert J. Gordon. <https://gordon.economics.northwestern.edu/>
- ⁵ Pisano, M. A. (2017). *The puzzle of the American economy: How changing demographics will affect our future and influence our politics*. Praeger.
- ⁶ See, for example, empirical research on state governments analyzing time to fiscal recovery following economic recessions:
 Buerger, C. (2020). The effect of economic downturns on state budgets: A counterfactual analysis of the great recession. *Applied Economic Letters*, 28(21), 1852–1859.
 Buerger, C., Sandel, R., Reitano, V., Jones, P., & Lofton, M. (2021). Extending difference-in-differences frameworks to Granger equations: Evidence from cutback management during three recessions. *International Journal of Public Sector Management*, 34(6), 688–705.
 Rueben, K., Randall, M., & Boddupalli, A. (2018). Budget processes and the great recession: How fiscal institutions shape tax and spending decisions. *Urban Institute*, Washington, DC. Retrieved from <https://www.taxpolicycenter.org/publications/budget-processes-and-great-recession>.
 Rosewicz, B. (2018). Over long term, revenue lags behind expenses in 10 states. *The Pew Center for Charitable Trusts*, Washington, DC. Retrieved from <https://www.pewtrusts.org/en/research-and-analysis/articles/2018/11/19/over-long-term-revenue-lags-behind-expenses-in-10-states>.
- ⁷ See, for example, the following journal articles empirically examining local government expenditure stabilization:
 Marlowe, J. (2005). Fiscal slack and counter-cyclical expenditure stabilization: A first look at the local level. *Public Budgeting & Finance*, 25(3), 48–72.
 Wang, W., & Hou, Y. (2012). Do local governments save and spend across budget cycles? Evidence from North Carolina. *American Review of Public Administration*, 42(2), 152–169.
- ⁸ For research examining the relationship between public pensions and reserves retained in budget stabilization funds, see the following:
 St. Clair, T. (2013). The impact of budget stabilization funds on state pension contributions. *Public Budgeting & Finance*, 33(3), 55–74.
- ⁹ This was the view expressed by an insurance industry expert at a live educational event hosted by GFOA in 2022.
- ¹⁰ From 1960 to the early 1990s, personal savings rates were around or above 10% but then sharply dropped, reaching a low of around 3% to 4% in 2005 to 2008. Savings increased after the 2008 Great Recession, averaging around 7.5% until the COVID-19 pandemic, when it jumped to historically high levels. After the pandemic, savings rates dropped dramatically, plummeting to the all-time lows of 2005 to 2008.
- ¹¹ For a few more recent examples of research analyzing government savings patterns over time, and in relation to the business cycle, please see the following journal articles:
 Arapis, T., & Reitano, V. (2018). A glimmer of optimism in government savings accumulation? An empirical examination of municipal unassigned fund balance in Florida. *Public Finance Review*, 46(3), 389–420.
 Barrett, N., Fowles, J., Jones, P., & Reitano, V. (2019). Forecast bias and fiscal slack accumulation in school districts. *American Review of Public Administration*, 49(5), 601–613.
 Stewart, L. M., Hamman, J. A., & Pink-Harper, S. A. (2017). The stabilization effect of local government savings: The case of Illinois counties. *Public Budgeting & Finance*, 38(2), 23–39.
 Wang, S., & Scorson, E. (2019). Economic resilience after the Great Recession: An examination of unreserved fund balance in Michigan counties. *Local Government Studies*, 46(5), 716–733.
- ¹² For example, according to a survey conducted by Bankrate in 2021, 46% of Americans are saving for a specific financial goal such as a home purchase, vacation, or education, while only 28% are saving for an emergency fund.
- ¹³ Please see the following research for further related discussion:
 Fenimore, A., & McCue, C. (2021). Are public managers wired for risk aversion? *Public Finance & Management*, 20(1).
 Hildreth, B. W., Yeager, S. J., Miller, G. J., & Rabin, J. (2017). Finance managers' propensity to save. *Journal of Public Budgeting, Accounting & Financial Management*, 24(2), 1–35.
- ¹⁴ See, for example, the following journal articles for examples of how to empirically analyze reserves:
 Marlowe, J. (2005). Fiscal slack and counter-cyclical expenditure stabilization: A first look at the local level. *Public Budgeting & Finance*, 25(3), 48–72.
 Wang, W., & Hou, Y. (2012). Do local governments save and spend across budget cycles? Evidence from North Carolina. *American Review of Public Administration*, 42(2), 152–169.

¹⁵ For a study of the 30 largest U.S. cities, please see the following research:

The Pew Charitable Trusts. (2013). *America's big cities in volatile times: Meeting fiscal challenges and preparing for the future*.

For a study of 600 municipalities, please see the following book chapter:

Marlowe, J. (2014). *Fiscal slack, reserves, and rainy-day funds*. In Levine, H., Justice, J. B., & Scorsone, E. (Eds.), *Handbook of Local Government Fiscal Health* (321–342). Jones & Bartlett Learning.

¹⁶ Boswell, M. R., Deyle, R. E., Smith, R. A., & Baker, E. J. (1999, April). A quantitative method for estimating probable public costs of hurricanes. *Environmental Management*, 23(3), 359–372.

¹⁷ Visit probabilitymanagement.org for resources on how to do this.

¹⁸ Kavanagh, K. (2018, October). Smart practices for self-funded employee health insurance. *Government Finance Review*.

¹⁹ An inquiry with OpenAI's GPT 4.0 replied that “investment income accounts for about 25% to 30% of the profits of a typical property and casualty insurance company.” Further, GPT showed that some insurance companies even derive most of their revenue from investments.

²⁰ Data obtained by GFOA from the firm three+one. We note that three+one sells a software service that helps local governments optimize the amount of money invested in higher return instruments.

²¹ Mental accounting. *BehaviorEconomics.com*. <https://www.behavioraleconomics.com/resources/mini-encyclopedia-of-be/mental-accounting>

²² The positive effects of mental accounting include reduced impulsive spending, increased saving and mental well-being, and support for achieving financial goals. An example of research on this point comes from Behavioral Economics and is known as the “endowment effect,” which, when applied to savings, says people tend to be more cautious about using money labeled specifically as “savings.”

²³ Data sourced from SDC All Municipals, an online data portal from Refinitiv.



Government Finance Officers Association
203 N. LaSalle Street, Suite 2700
Chicago, IL 60601
312-977-9700 | gfoa.org



Request for Council Action

Originator Finance	Item 5.3 2026-2035 Capital Improvement Plan (CIP) Draft
Agenda Section ORGANIZATIONAL BUSINESS	Date October 20, 2025

Requested Action:

City Council is asked to review and provide feedback on the proposed 2026-2035 Capital Improvement Plan.

Item created by: Briana Eicheldinger, Finance

Item presented by: Lori Economy-Scholler, CFO

Description:

The Capital Improvement Plan (CIP) is a planning tool based on long-range physical planning and financial projections that forecast capital needs over a ten-year period as building blocks to help achieve the City's strategic vision and mission. The CIP includes a detailed description of every Capital Project over \$50,000 anticipated to be initiated during the ten-year period. The Executive Summary and Section Highlights provide an overview of the major projects in each of the categories projected to be \$1,000,000 and above.

The [draft of the proposed 2026-2035 Capital Improvement Plan](http://blm.mn/cip) (CIP) is available on the City's website at blm.mn/cip

The final draft will return to a Council agenda in December for a public hearing and request for final adoption. The approval of the CIP does not guarantee funding for the project. Each project will only move forward when all the funding sources and approvals are in place.

Attachments:

[Presentation](#)



2026-2035 Capital Improvement Plan Draft Discussion

October 20, 2025
Lori Economy-Scholler, CFO



OUR MISSION

OUR MISSION IS TO CULTIVATE AN ENDURING AND REMARKABLE COMMUNITY
WHERE PEOPLE WANT TO BE.



A connected,
welcoming
community



A healthy
community



A community with
equitable economic
growth

Agenda



Purpose & Timeline

Executive Summary for the 2026-2035 CIP

2026 and 2027 Project Highlights

Discussion



Purpose and Timeline



CIP Purpose



The Capital Improvement Plan (CIP) is a *planning tool* based on long-range physical planning and financial projections.

The CIP includes a detailed description of every Capital Project over \$50,000 anticipated to be initiated during the ten-year period.

Executive Summary and Section Highlights provide an overview of the major projects in each of the categories projected to be \$1,000,000 and above.

No Guarantee: The approval of the CIP does not guarantee funding for the project. Each project will only move forward when all the funding sources and approvals are in place.

Procurement of capital improvements within the CIP will follow City Council authorized levels of approval.



2026 CIP Timeline



Current Projects Dashboard

blm.mn/cip



Capital Improvement Plan

Tier 1 Activities: 2025 Projects Above \$175,000

CIP Project Number	Project Description	Cost Estimate	Planned Funding Source			Status Update
			Cash	Grants	Debt	
City Facilities						
Art Center						
CF-25-007	BCA Black Box Lighting System Upgrade	\$220,000	x			Unfunded for 2025, will move to a future year.
Surface Transportation						
Bridges						
ST-12-004	84th Street Pedestrian Bridge Replacement	\$257,400	x			Intersection study RFP is being written.
City Facilities						
Community Health and Wellness Center						
CF-07-001	Community Health and Wellness Center	\$100,000,000			x	On track and on budget
CF-25-011	Community Health and Wellness Center Parking Ramp	\$10,000,000			x	Canceled
City Facilities						
Facilities						
CF-16-001	Fire Station 2 Rebuild	\$1,300,000			x	Delayed by one year, design in 2026 and construction in 2027.
CF-16-005	Equipment Maintenance Garage - New	\$27,042,174			x	Salt shed to be constructed in 2025. Garage construction delayed to 2026 with bid does out this fall.
CF-23-011	Engineer/Fleet Space Renovations	\$600,000	x			Minor renovations underway, smaller project than original plan; scheduled to be complete by year end.
CF-24-003	Civic Plaza Sidewalk Replacement	\$800,000	x			Bids came in lower than expected. Contract approval to Council 6/76 and work underway, project to be complete in October.
CF-24-006	Re-Commissioning Civic Plaza	\$250,000	x			Delayed, moved to 2026
CF-24-015	Phase 1 PW Refit Salt Shed, Wash Off, Drive Alignment	\$4,900,000				Salt shed combined with garage project (CF-16-005); to be constructed in 2025. Garage construction delayed to 2026.
CF-25-002	Civic Plaza Restroom	\$1,000,000	x			Substantially complete

Planning stage
 In-progress (bid, vendor selection)
 Construction underway
 Substantially complete or complete
 Deferred or cancelled



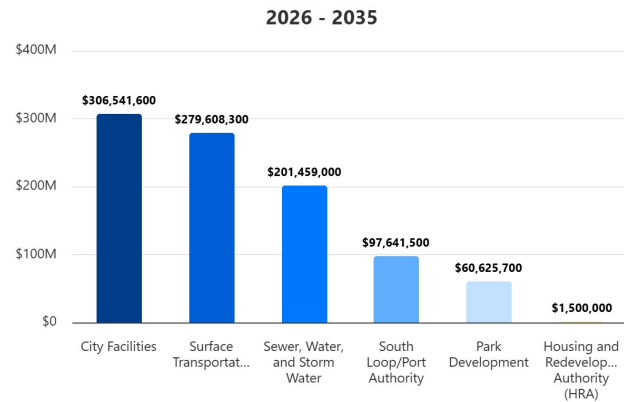
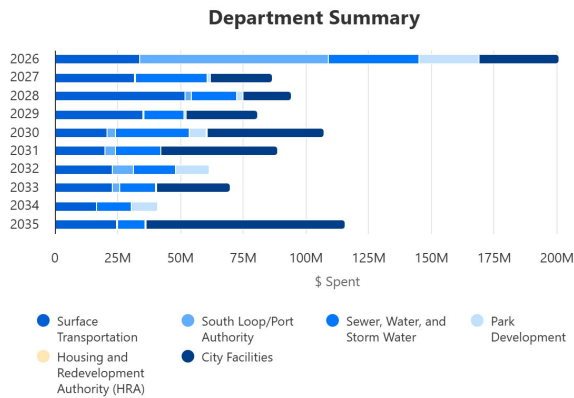
Planning stage
 In progress (bid, vendor selection)
 Construction underway
 Substantially complete or complete
 Deferred or canceled



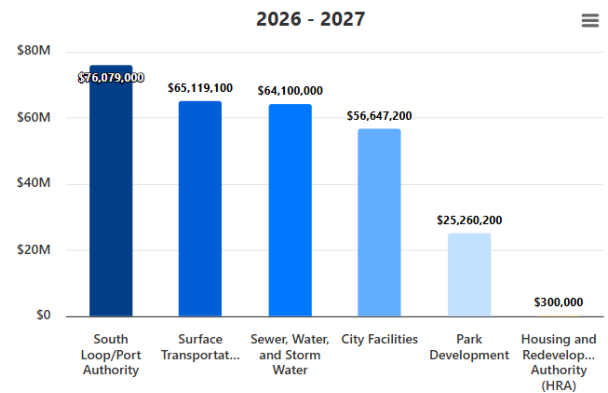
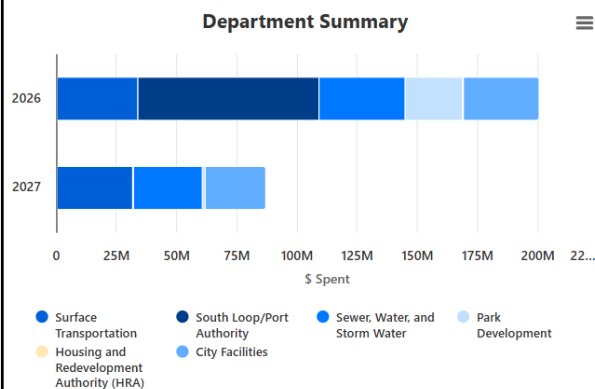
Executive Summary



Department Summary over the 10-year plan



Department Summary for the next two years



Major Funding Sources

2026 & 2027 projects



Project #	Funding Source and Project Name	2026	2027	Total
CIP Bonds				
CF-16-005	Equipment Maintenance Garage - New	\$ 25,900,000		\$ 25,900,000
CF-16-001	Fire Station 2 Rebuild		\$ 21,624,000	\$ 21,624,000
City Sewer Availability Charge (SAC)				
SW-25-018	North Central Sanitary Sewer Capacity Improvement	\$ 19,758,200		\$ 19,758,200
SW-25-015	107th and Hopkins Sanitary Sewer	\$ 115,500		\$ 115,500
SW-25-008	13th Ave San Sewer-82nd St to 86th St		\$ 2,002,000	\$ 2,002,000
Hennepin County				
ST-20-006	Nicollet Avenue Reconstruction	\$ 7,905,000	\$ 10,500,000	\$ 18,405,000
ST-18-004	PMP ROW Trail Program	\$ 500,000		\$ 500,000
ST-25-004	98th Street @ 35W Interchange Reconfig Project	\$ 25,000	\$ 158,300	\$ 183,300
ST-26-001	Old Shakopee Road (CSAH 1) - Aldrich Ave to 2nd Av		\$ 1,820,000	\$ 1,820,000
P414 (MOA1) and P433 (MOA II)				
SL-26-001	Waterpark Parking Ramp	\$ 30,000,000		\$ 30,000,000
TIF Revenue Bonds				
SL-26-001	Waterpark Parking Ramp	\$ 45,000,000		\$ 45,000,000
Sales Tax Revenue Bonds				
PD-23-005	Nine Mile Creek Corridor Renewal Project	\$ 20,000,000		\$ 20,000,000
Grand Total		\$ 152,345,900	\$ 36,104,300	\$ 188,450,200



Capital Borrowing Plans

2025					
Project	Timing	Series	Size (Project Deposit)	Security	Repayment Source
Heights HIA	October 13, 2025	Series 2025C	\$959k	GO	Assessment
Land/Building Acquisition	October 20, 2025	Series 2025D	\$3.2 million	GO	Property tax
PIR bonds	October 20, 2025	Series 57	\$4.5 million	GO	Property tax
Salt Shed	November 17, 2025	Series 2025E	\$12 million	GO	Property tax
2026					
Nine Mile Creek	February 2, 2026		\$20 million	GO	Sales tax
Garage	February 2, 2026		\$20 million	GO	Property tax
Utility-Sanitary Sewer	May 2026		\$27 million	GO	Utility Fees
PIR bonds	October 2026		\$6 million	GO	Property tax
Waterpark ramp	TBD		\$45 million	GO	TIF Revenue
2027					
Fire Station 2	Spring 2027		\$22 million	GO	Property tax
PIR bonds	Fall 2027		\$6.3 million	GO	Property tax
2028					
Dwan Golf Course	Spring 2028		\$18 million	GO	Property tax
PIR bonds	Fall 2028		\$7.7 million	GO	Property tax



Project Highlights

Looking ahead to 2026 and 2027



Major Projects in 2026 and 2027



Project Number	Project Name	Project Year	Cost estimate
SL-26-001	Waterpark Parking Ramp	2026	\$ 75,000,000
CF-16-005	Equipment Maintenance Garage	2026	\$ 25,900,000
SW-25-018	North Central Sanitary Sewer Diversion	2026	\$ 25,660,000
PD-23-005	Nine Mile Creek Corridor Renewal	2026	\$ 23,000,000
ST-12-004	84th Street Pedestrian Bridge Replacement	2026	\$ 2,860,000
CF-26-007	Civic Plaza Lunchroom	2026	\$ 1,200,000
ST-20-006	Nicollet Avenue Reconstruction	2026-2030	\$ 37,608,000
CF-16-001	Fire Station 2 Rebuild	2027	\$ 21,624,000
SW-25-008	13th Ave San Sewer-82nd St to 86th St	2027	\$ 2,600,000
SW-16-013	84th San Sewer b/t Norman Center Dr & Stanley Rd	2027	\$ 1,980,000
SW-16-012	84th San Sewer btwn EBLR & Norman Center Dr	2027	\$ 1,540,000
ST-24-006	494 Proj. – 82nd St. Bridge & 35W Grade Mod	2027	\$ 1,000,000
ST-24-021	Old Shakopee Road (CSAH1) at 98th Street	2027-2028	\$ 5,500,000
ST-26-001	Old Shakopee Rd (CSAH1) – Aldrich Ave to 2nd Ave	2027-2029	\$ 26,200,000
ST-17-003	Old Shakopee Rd & Old Cedar Av Intersection	2027-2029	\$ 5,221,000



New Projects



City Facilities

- CF-26-001 Civic Plaza Trestle Staining
- CF-26-002 Civic Plaza Office Carpet
- CF-26-003 Fitness Shower Tile Replacement
- CF-26-004 EV Charger Infrastructure
- CF-26-005 Mill and Overlay Public Works Campus
- CF-26-006 BIG Concrete Replacement, Retaining Walls and ADA
- CF-26-007 Civic Plaza Lunchroom
- CF-26-008 Cemetery Irrigation System
- CF-26-009 Public Works Garage Doors
- CF-26-010 Police Department Building



Housing and Redevelopment Authority

- HRA-26-001 HRA-Owned Properties Capital Impv.

South Loop / Port Authority

- SL-26-001 Lindau Lane Parking Area Paver Replacement
- SL-26-002 Waterpark Parking Ramp

Surface Transportation

- ST-26-001 Old Shakopee Road (CSAH 1) Aldrich Av to 2nd Av
- ST-26-002 SRTS-Stanley Av W 84th St to Nine Mile Crk Pkwy

New Projects



Park Development

- PD-26-001 Gene Kelly Playground Replacement
- PD-26-002 Brookside Playground Replacement
- PD-26-003 Dred Scott Playground Replacement
- PD-26-004 Logan Playground Replacement
- PD-26-005 Maplewood Playground Replacement
- PD-26-006 Pleasant Playground Replacement
- PD-26-007 Running Park Playground Replacement
- PD-26-008 Southdell Playground Replacement
- PD-26-009 Southwood Playground Replacement
- PD-26-010 Tennis Court Reconstruction
- PD-26-011 Basketball Court Reconstruction





Discussion



Green Light to begin



Council adoption of the 2026-2035 CIP will initiate planning activities for the projects in years 2026 and 2027.



Staff will follow normal procurement rules and conduct public engagement when needed

Engage consultants

Prepare studies

Bid packages and designs





Request for Council Action

Originator Finance	Item 5.4 2026 Budget Discussions: External Services Team and Utility Rates
Agenda Section ORGANIZATIONAL BUSINESS	Date October 20, 2025

Requested Action:

Discussion item

Item created by: Briana Eicheldinger, Finance

Item presented by: Kathy Hedin, Deputy City Manager
Kim Berggren, Community Development Director
Alison Warren, Analytics and Strategy Manager
Nick Kelley, Public Health Administrator
Julie Long, City Engineer
Tim Behrendt, Maintenance Superintendent
Scott Anderson, Utilities Superintendent
Bryan Gruidl, Water Resources Manager
Laura Horner, Solid Waste Program Coordinator
Kari Carlson, Deputy Finance Officer

Description:

Staff will discuss the proposed 2026 budgets for:

- Community Development
- Parks and Recreation
- Public Health
- Public Works
- Utility Rates

Attachments:

[Community Development Presentation](#)
[Parks and Recreation Presentation](#)
[Public Health Presentation](#)
[Public Works Presentation](#)



Community Development 2026 Budget

October 20, 2025

Kim Berggren, Community Development Director

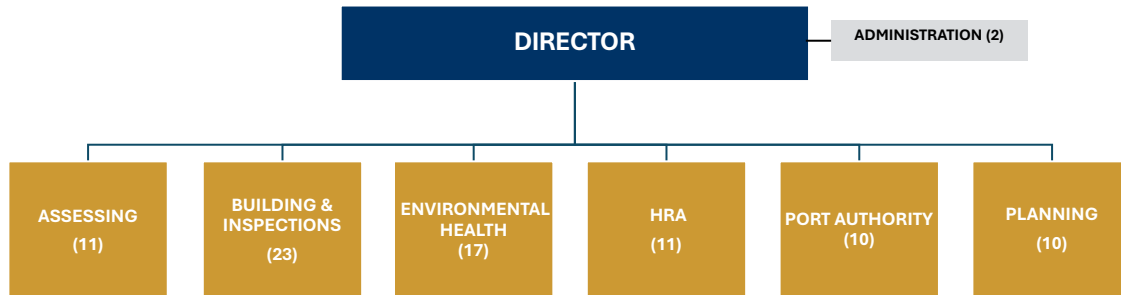


Overview

- Structure and Staffing
- Budget Request
- Priority Based Budgeting Analysis
 - Opportunities for Alignment
 - Opportunities for Revenue Generation
 - Opportunities for Cost Savings or Operational Efficiencies
- Budget Highlights
- Emerging Topics
- Discussion and Questions



COMMUNITY DEVELOPMENT DEPARTMENT



CD = 87 Full-Time Employees (FTEs)
(includes 23 HRA and Port funded FTEs)

Community Development - General Fund 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Program Income	\$ 7,647	\$ 11,010	\$ 7,000	\$ (4,010)	-36.42%
Special Assessment	\$ 55,504	\$ -	\$ 55,000	\$ 55,000	0.00%
Permits and Licenses	6,528,416	4,601,600	4,612,100	10,500	0.23%
Intergovernmental	17,476	14,000	14,000	-	0.00%
Other Revenues	211,621	194,800	200,600	5,800	2.98%
Transfers from Other Funds	50,000	-	-	-	0.00%
Total Revenues	6,870,665	4,821,410	4,888,700	67,290	1.40%
Expenditures					
Salaries and Benefits	9,023,223	9,563,850	9,775,510	211,660	2.21%
Materials, Supplies, & Services	507,046	381,450	363,450	(18,000)	-4.72%
Internal Charges	1,313,175	1,458,377	1,543,975	85,598	5.87%
Capital Outlay	-	-	-	-	0.00%
Transfer to Other Funds	-	-	-	-	0.00%
Total Expenditures	\$ 10,843,444	\$ 11,403,677	\$ 11,682,935	\$ 279,258	2.45%
Less Expenses Charged to Other Funds	(42,356)	(50,000)	(51,250)	(1,250)	2.50%
Net Total Expenditures	\$ 10,801,087	\$ 11,353,677	\$ 11,631,685	\$ 278,008	2.45%
Revenues less Expenditures	\$ (3,930,423)	\$ (6,532,267)	\$ (6,742,985)	\$ (210,718)	3.23%

*Does not include HRA and Port



Priority Based Budgeting Analysis

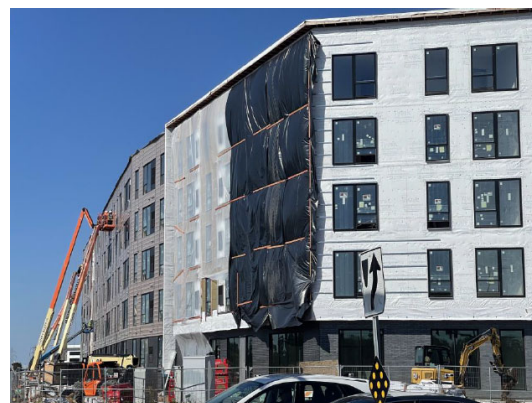
Insights from PBB analysis - opportunities for alignment or budget efficiencies



Opportunities for Alignment



- B&I inspectors doing HRA housing inspections during slower part of the year
- Partner with others in External Services Team – Public Works, Parks and Recreation, and Public Health to enhance services



Opportunities for Revenue Generation



- Rental Fees were increased in 2024 to align with costs
- HRA reviewing developer and loan fees
- Review Time of Sale (TOS) fees to cover costs
- Planning and B&I are reviewing fees to match market and inflation



Opportunities for Cost Savings or Operational Efficiencies



- Going live in October with an online payment solution for special assessments



CD Budget Highlights

- Revenues projected to remain flat in 2026
- Removed 0.5 FTE position in Assessing
- Decrease in contractual services budget



Emerging Topics

- Market conditions are slowing new development
- Questions on Federal HUD funding for HRA programs
- City-wide economic development services
- New work areas in 2026
 - Proposed Parking Ramp Ordinance with fee revenue (Building & Inspections)
 - State-funded rental voucher program (HRA)
 - Launch 2050 Comprehensive Plan Update process (Planning)





Council Discussion and Questions





Parks and Recreation 2026 Budget

October 20, 2025

Alison Warren, Analytics and Strategy Manager

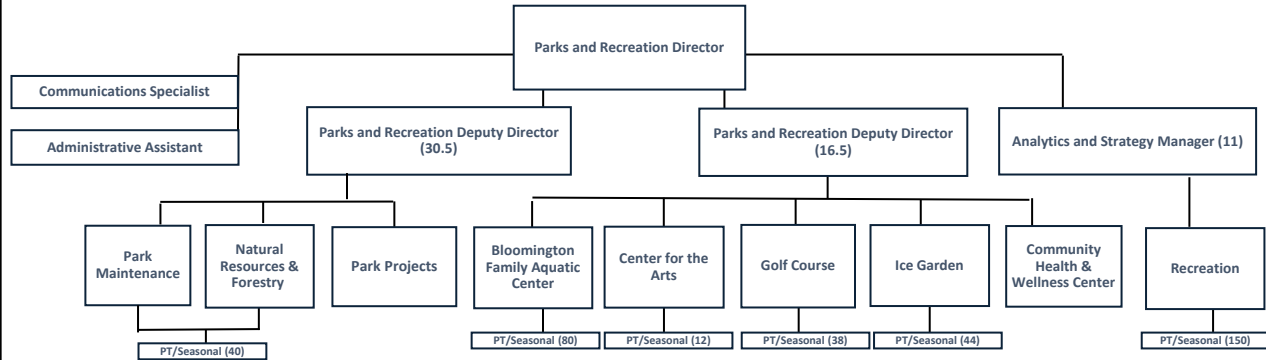


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Overview of structure and staffing



61 Full-Time Employees (FTEs)

350+ PT/Seasonal employees

Parks & Recreation - General Fund 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Program Income	\$ 615,562	\$ 608,650	\$ 550,430	\$ (58,220)	-9.57%
Permits and Licenses				-	0.00%
Intergovernmental				-	0.00%
Other Revenues	581,794	680,363	607,065	(73,298)	-10.77%
Transfers from Other Funds	-	-	-	-	0.00%
Total Revenues	1,197,356	1,289,013	1,157,495	(131,518)	-10.20%
Expenditures					
Salaries and Benefits	6,706,276	7,492,754	7,951,766	459,012	6.13%
Materials, Supplies, & Services	2,978,015	2,965,820	3,171,845	206,025	6.95%
Internal Charges	2,656,039	2,954,360	3,218,001	263,641	8.92%
Capital Outlay	164,471	-	-	-	0.00%
Transfer to Other Funds	1,450,000	-	-	-	0.00%
Total Expenditures	\$ 13,954,801	\$ 13,412,934	\$ 14,341,612	\$ 928,678	6.92%
Less Expenses Charged to Other Funds	(382,583)	(242,501)	(248,564)	(6,063)	2.50%
Net Total Expenditures	\$ 13,572,218	\$ 13,170,433	\$ 14,093,048	\$ 922,615	7.01%
Revenues less Expenditures	\$ (12,374,862)	\$ (11,881,420)	\$ (12,935,553)	\$ (1,054,133)	8.87%

Golf 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Property Taxes					0.00%
Internal Revenue from other Departments				-	0.00%
Program Income	2,256,837	2,021,365	2,121,759	100,394	4.97%
Permits and Licenses				-	0.00%
Intergovernmental				-	0.00%
Interest Income	49,449	1,000	1,000	-	0.00%
Other Revenues	(55)	-	-	-	0.00%
Transfers from Other Funds				-	0.00%
Total Revenues	2,306,231	2,022,365	2,122,759	100,394	4.96%
Expenditures					
Salaries and Benefits	1,238,329	1,225,551	1,285,837	60,286	4.92%
Materials, Supplies, & Services	491,931	849,907	547,511	(302,396)	-35.58%
Internal Charges	252,630	284,400	297,845	13,445	4.73%
Capital Outlay	59,781	90,000	147,357	57,357	63.73%
Transfer to Other Funds				-	0.00%
Total Expenditures	\$ 2,042,672	\$ 2,449,858	\$ 2,278,550	\$ (171,308)	-6.99%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 2,042,672	\$ 2,449,858	\$ 2,278,550	\$ (171,308)	-6.99%
Revenues less Expenditures	\$ 263,559	\$ (427,493)	\$ (155,791)	\$ 271,702	-63.56%

Bloomington Ice Garden 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Property Taxes - Operations	\$ 125,000	\$ 200,000	\$ 200,000	\$ -	0.00%
Property Taxes - Debt Service	\$ 199,630	\$ 198,432	\$ 197,241	\$ (1,191)	-0.60%
Internal Revenue from other Departments				-	0.00%
Program Income	2,230,713	1,144,500	2,400,000	1,255,500	109.70%
Permits and Licenses				-	0.00%
Intergovernmental	-	-	-	-	0.00%
Interest Income	9,299	1,000	1,000	-	0.00%
Other Revenues	48,067	-	32,000	32,000	0.00%
Transfers from Other Funds	-	-	-	-	0.00%
Total Revenues	2,612,710	1,543,932	2,830,241	1,286,309	83.31%
Expenditures					
Salaries and Benefits	997,760	902,408	1,212,081	309,673	34.32%
Materials, Supplies, & Services	821,527	592,650	711,250	118,600	20.01%
Internal Charges	214,652	260,780	280,776	19,996	7.67%
Capital Outlay	132,951	11,500	12,000	500	4.35%
Debt Service	195,743	191,926	191,475	(451)	-0.23%
Transfer to Other Funds				-	0.00%
Total Expenditures	\$ 2,362,632	\$ 1,959,264	\$ 2,407,582	\$ 448,318	22.88%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 2,362,632	\$ 1,959,264	\$ 2,407,582	\$ 448,318	22.88%

Bloomington Center for the Arts 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Property Taxes	\$ 1,000,000	\$ 1,500,000	\$ 1,500,000	\$ -	0.00%
Internal Revenue from other Departments					0.00%
Program Income	306,122	325,000	330,000	5,000	1.54%
Permits and Licenses				-	0.00%
Intergovernmental				-	0.00%
Interest Income	51,151	10,000	10,000	-	0.00%
Other Revenues	550	-	-	-	0.00%
Transfers from Other Funds	-	-	-	-	0.00%
Total Revenues	1,357,822	1,835,000	1,840,000	5,000	0.27%
Expenditures					
Salaries and Benefits	300,827	547,351	596,983	49,632	9.07%
Materials, Supplies, & Services	468,966	497,024	497,024	-	0.00%
Internal Charges	499,566	548,511	599,505	50,994	9.30%
Capital Outlay	184,804	128,000	150,000	22,000	17.19%
Transfer to Other Funds				-	0.00%
Total Expenditures	\$ 1,454,163	\$ 1,720,886	\$ 1,843,512	\$ 122,626	7.13%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 1,454,163	\$ 1,720,886	\$ 1,843,512	\$ 122,626	7.13%
Revenues less Expenditures	\$ (96,341)	\$ 114,114	\$ (3,512)	\$ (117,626)	-103.08%

Aquatics Fund 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2,025	% from 2,025
Revenues					
Property Taxes	\$ 335,000	\$ 335,000	\$ 335,000	\$ -	0.00%
Internal Revenue from other Departments					0.00%
Program Income	319,235	265,000	265,000	-	0.00%
Permits and Licenses				-	0.00%
Intergovernmental	30,000	-	-	-	0.00%
Interest Income	30,861	6,000	6,000	-	0.00%
Other Revenues	(74)	-	-	-	0.00%
Transfers from Other Funds	-	-	-	-	0.00%
Total Revenues	715,022	606,000	606,000	-	0.00%
Expenditures					
Salaries and Benefits	477,121	444,487	554,181	109,694	24.68%
Materials, Supplies, & Services	48,720	33,100	33,100	-	0.00%
Internal Charges	241,680	268,617	274,948	6,331	2.36%
Capital Outlay	57,317	75,000	50,000	(25,000)	-33.33%
Transfer to Other Funds				-	0.00%
Total Expenditures	\$ 824,838	\$ 821,204	\$ 912,229	\$ 91,025	11.08%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 824,838	\$ 821,204	\$ 912,229	\$ 91,025	11.08%
Revenues less Expenditures	\$ (109,815)	\$ (215,204)	\$ (306,229)	\$ (91,025)	42.30%

Parks & Recreation - Parks Grants & Projects Special Revenue 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Program Income	\$ 259,309	\$ 280,000	\$ 280,000	\$ -	0.00%
Property Taxes	185,000	185,000	350,000	165,000	89.19%
Intergovernmental	98,094	165,000	95,000	(70,000)	-42.42%
Interest Income	9,516	4,000	4,000	-	0.00%
Other Revenues	24,613	28,000	28,000	-	0.00%
Transfers from Other Funds	388,163	-	-	-	0.00%
Total Revenues	964,695	662,000	757,000	95,000	14.35%
Expenditures					
Salaries and Benefits	41,367	-	-	-	0.00%
Materials, Supplies, & Services	1,028,586	650,000	655,000	5,000	0.77%
Internal Charges	45,157	64,725	71,865	7,140	11.03%
Capital Outlay				-	0.00%
Transfer to Other Funds				-	0.00%
Total Expenditures	\$ 1,115,110	\$ 714,725	\$ 726,865	\$ 12,140	1.70%
Less Expenses Charged to Other Funds				-	0.00%
Net Total Expenditures	\$ 1,115,110	\$ 714,725	\$ 726,865	\$ 12,140	1.70%
Revenues less Expenditures	\$ (150,415)	\$ (52,725)	\$ 30,135	\$ 82,860	-157.16%



Priority Based Budgeting Analysis

Insights from PBB analysis - opportunities for alignment or budget efficiencies

Opportunities for Alignment



- Continue to centralize services to improve efficiency such as
 - Concessions operations management
 - Shared staffing for Community Health & Wellness Center and Bloomington Family Aquatic Center
 - Utilization of recreation management software across divisions
 - Leveraging cooperative purchasing agreements
- Continue to align programs & resources for sustainability; examples of already implemented changes:
 - Partnerships with Tod Pod, Minnesota Off-Road Cyclists, Three Rivers Park District
 - Follow the cost recovery model with tiered pricing and business plans identified in the Park System Master Plan
 - Implementation of service levels for park maintenance identified in the Maintenance and Operations Plan
- Partner with others in External Services Team – Community Development, Public Works, and Public Health to enhance services



Opportunities for Revenue Generation



- Diversify revenue through fees & sponsorships
- Build partnerships & pursue grant funding
- Tiered pricing & cost recovery model
- Increased fees for commercial park use



Opportunities for Cost Savings or Operational Efficiencies



- Use technology to streamline operations
- LED upgrades & other cost-saving facility improvements
- Expanded volunteer programs
- Partnerships: Bloomington School District, Three Rivers Park, Minnesota, MORC (Minnesota Off-Road Cyclists), Public Health



Budget Highlights



- \$30K decreases in rental revenue for 2026 for closures during Moir Park renovation
- \$54K Cell Tower rental revenue decreasing in 2026
- \$20K Reduction in donation revenues
- \$30K Increase in overall programming and registration fees
- \$100K Increase in Golf revenues
- \$1.3M Increase in Ice Garden revenues due to 2025 closure for renovation
- \$150K Increase for Tennis and Basketball Court Maintenance Expense



Emerging Topics



- Asset management system for proactive maintenance
- Automated irrigation controls
- Friends of the Park Foundation creation
- Adjusted “per player” & field reservation fees (Youth Sports Access Evaluation Study)
- Center for Arts Facility Study Results
- Naming Rights Campaign currently underway
- Paid Parental Leave and MN State Paid leave
 - Ongoing and additional leave programs affect daily staffing and require additional employees to maintain staff levels
- Beginning realignment of resources in preparation for new Community Health & Wellness Center (CHWC)
 - 2026 – looking at two repurposed positions to fill Maintenance Superintendent and Assistant Manager
 - 2027 – remaining hiring of positions prior to opening
- Addition of Food and Beverage Manager
 - Funded through Pouring Rights revenues



Council Discussion and Questions





Appendix



GOLF - FUND 6400

	2023	2024	2025	2026	2027	2028	2029
	ACTUAL	ACTUAL	ESTIMATED	REQUEST BUDGET	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
DWAN GOLF COURSE REVENUES	2,144,867	2,256,782	2,021,365	2,121,759	2,191,777	2,264,106	2,338,821
PROPERTY TAX	161,343	105,565					
INTEREST	35,910	49,449	25,000	1,000	1,000	1,000	1,000
TOTAL REVENUES	2,342,120	2,411,796	2,046,365	2,122,759	2,192,777	2,265,106	2,339,821
EXPENSES:							
SALARIES AND BENEFITS	1,142,764	1,238,329	1,225,551	1,285,837	1,324,412	1,364,144	1,405,068
MATERIALS AND SUPPLIES	490,171	491,931	531,481	547,511	552,986	558,516	564,101
INTERNAL CHARGES	236,984	252,630	284,400	297,845	306,780	315,984	325,463
CAPITAL	127,470	59,781	161,947	147,357	96,991	100,000	97,000
TOTAL EXPENSES	1,997,389	2,042,671	2,203,379	2,278,550	2,281,169	2,338,644	2,391,633
NET GAIN (LOSS)	344,731 170%	369,125 192%	(157,014) 173%	(155,791) 161%	(88,392) 146%	(73,538) 135%	(51,812) 107%
WORKING CAPITAL BALANCE TOTAL	1,072,059	1,441,184	1,284,170	1,128,379	1,039,987	966,449	914,638
WORKING CAPITAL GOAL:	631,781	749,947	740,357	702,991	713,000	717,000	851,000

ICE GARDEN - FUND 6450

	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
PROPERTY TAX FOR DEBT SERVICE	200,835	199,630	198,432	197,241	196,058	194,882	193,712
PROPERTY TAX FOR OPERATIONS	125,000	125,000	200,000	200,000			
ICE RENTALS / SKATING/ CONCESSIONS	2,072,991	2,230,713	1,144,500	2,400,000	2,448,000	2,496,960	2,546,899
OTHER REVENUE	218	48,067		32,000	32,800	33,600	34,500
LOCAL GRANTS							
INTEREST	9,332	9,299	8,000	1,000	1,000	1,000	1,000
TOTAL REVENUES	2,408,376	2,612,709	1,550,932	2,830,241	2,677,858	2,726,442	2,776,111
EXPENSES:							
SALARIES & BENEFITS	944,676	997,760	902,408	1,212,081	1,248,444	1,285,897	1,324,474
MATERIALS, SUPPLIES, & SERVICES	780,289	821,527	592,650	711,250	732,588	754,565	777,202
INTERNAL CHARGES	196,573	214,652	260,780	280,776	289,199	297,875	306,812
CAPITAL OUTLAY	231,846	132,951	11,500	12,000	15,000	215,000	15,000
DEBT SERVICE FOR 2019 ICE GARDEN CAPITAL IMPROVEMENTS	191,926	195,743	191,926	191,475	192,068	192,425	187,610
TOTAL EXPENSES	2,345,310	2,362,633	1,959,264	2,407,582	2,477,298	2,745,762	2,611,098
NET GAIN (LOSS)	63,066	250,076	(408,332)	422,659	200,560	(19,321)	165,014
	106%	168%	70%	164%	210%	200%	234%
WORKING CAPITAL BALANCE	385,346	635,422	227,090	649,748	850,308	830,987	996,001
WORKING CAPITAL GOAL	362,494	378,215	324,176	395,555	405,172	415,077	425,279
OPERATIONS - TWO MONTHS	287,494	303,215	249,176	320,555	330,172	340,077	350,279
UNPLANNED CAPITAL EXPENDITURES	75,000	75,000	75,000	75,000	75,000	75,000	75,000

CENTER FOR THE ARTS - FUND 6500

	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
PROPERTY TAX	1,000,000	1,000,000	1,500,000	1,500,000	1,650,000	1,700,000	1,750,000
CUSTOMER REVENUE	234,181	306,122	325,000	330,000	339,900	350,097	360,600
INTEREST	60,328	51,151	18,000	10,000	10,000	10,000	10,000
ENDOWMENT TRANSFER							
STRATEGIC PRIORITIES \$ FOR ARTISTRY	250,000						
OTHER REVENUE		550	178,181				
TOTAL REVENUES	1,544,509	1,357,823	2,021,181	1,840,000	1,999,900	2,060,097	2,120,600
EXPENSES:							
SALARIES & BENEFITS	239,171	300,827	547,351	596,983	608,923	621,101	633,523
MATERIALS, SUPPLIES, & SERVICES	185,586	224,439	278,024	497,024	506,964	517,104	527,446
FACILITIES INTERNAL CHARGES	403,994	415,872	445,207	467,467	476,816	486,353	496,080
OTHER INTERNAL CHARGES	79,210	83,694	103,304	132,038	134,679	137,372	140,120
CAPITAL OUTLAY	143,674	184,804	200,000	150,000	170,000	235,000	350,000
CULTURAL ARTS GRANTS	154,393	244,528	247,079	222,000	224,220	226,462	228,727
ADDITIONAL ARTISTRY SUPPORT	250,000						
TOTAL EXPENSES	1,456,028	1,454,163	1,820,965	2,065,512	2,121,602	2,223,392	2,375,896
NET GAIN (LOSS)	88,481	(96,340)	200,216	(225,512)	(121,702)	(163,295)	(255,296)
	128%	162%	135%	116%	99%	74%	54%
WORKING CAPITAL BALANCE	1,370,122	1,273,782	1,473,998	1,248,486	1,126,783	963,488	708,192
WORKING CAPITAL GOAL	1,070,102	788,233	1,093,688	1,079,821	1,143,417	1,307,285	1,321,431

AQUATICS - FUND 6550

AQUATICS - FUND 6550	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUE:							
PROPERTY TAXES	465,000	500,000	335,000	335,000	500,000	500,000	500,000
CUSTOMER REVENUE - POOL	315,497	319,235	120,326	265,000	274,275	282,503	290,978
CUSTOMER REVENUE - BEACH	71,063	82,602	-	-	-	-	-
INTERGOVERNMENTAL REVENUE	67,137	51,753	85,833	-	-	-	-
INTERFUND TRANSFERS	-	-	-	-	-	-	-
INTEREST	41,668	30,787	6,000	6,000	6,000	6,000	6,000
TOTAL REVENUES	960,365	984,377	547,159	606,000	780,275	788,503	796,978
EXPENSES:							
SALARIES AND BENEFITS	468,046	491,963	334,234	554,181	485,806	500,380	515,392
MATERIALS, SUPPLIES, AND SERVICES	53,834	51,737	33,100	33,100	33,762	34,437	35,126
INTERNAL CHARGES	372,990	379,789	268,617	274,948	283,196	291,692	300,443
POOL TRANSFER TO FACILITIES	-	-	-	-	-	-	-
CAPITAL OUTLAY - POOL	164,951	57,317	12,125	50,000	25,000	25,000	25,000
CAPITAL OUTLAY - BEACH	-	-	-	-	-	-	-
TOTAL EXPENSES	1,059,821	980,806	648,076	912,229	827,764	851,510	875,961
TOTAL GAIN (LOSS)	(99,456)	3,571	(100,917)	(306,229)	(47,489)	(63,007)	(78,982)
	270%	315%	355%	173%	148%	118%	80%
TOTAL WORKING CAPITAL BALANCE	171,610	175,181	674,264	368,036	320,546	257,540	178,557
TOTAL WORKING CAPITAL GOAL	286,170	246,071	190,109	213,333	216,425	219,168	221,993

PARK & RECREATION SPECIAL REVENUE FUND 2150

	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
FORESTRY - PROPERTY TAX LEVY		185,000	185,000	350,000	350,000	325,000	250,000
FORESTRY - SPECIAL ASSESSMENTS		9,013	8,000	8,000	8,000	8,000	8,000
FORESTRY - GRANTS		39,520	82,160				
FORESTRY - DISEASED TREE REMOVAL BILLINGS		259,309	280,000	280,000	285,600	291,312	297,138
FORESTRY - TRANSFER FROM STRATEGIC PRIORITIES		375,000					
FORESTRY - OTHER REVENUE		15,600	20,000	20,000	20,000	20,000	20,000
LOTTERY IN LIEU OF TAXES REVENUE	79,568	58,574	344,906	95,000	95,000	95,000	95,000
COMMUNITY LANDSCAPE FUNDS REVENUE		13,163					
OTHER REVENUE	10,878	5,968	16,076				
INTEREST REVENUE	14,253	9,516	4,000	4,000	4,000	4,000	4,000
TOTAL REVENUES	104,699	970,663	940,142	757,000	762,600	743,312	674,138
EXPENDITURES:							
FORESTRY		1,056,536	696,865	631,885	612,909	594,522	576,686
LOTTERY IN LIEU - CITY OF BLOOMINGTON EXPENSES	79,568	58,574					
LOTTERY IN LIEU - THREE RIVERS EXPENSES			295,000	95,000	95,000	95,000	95,000
OTHER EXPENSES	11,121	5,968	16,076				
TOTAL EXPENDITURES	90,689	1,121,078	1,007,941	726,865	707,909	689,522	671,686
NET GAIN (LOSS)	14,010	(150,415)	(67,799)	30,135	54,691	53,790	2,452
	107%	43%	25%	40%	68%	95%	96%
WORKING CAPITAL BALANCE	268,733	118,318	50,619	80,654	135,345	189,135	191,587
WORKING CAPITAL GOAL	250,000	275,000	200,000	200,000	200,000	200,000	200,000



Public Health 2026 Budget

October 20, 2025

Nicholas Kelley, Public Health Administrator



Overview

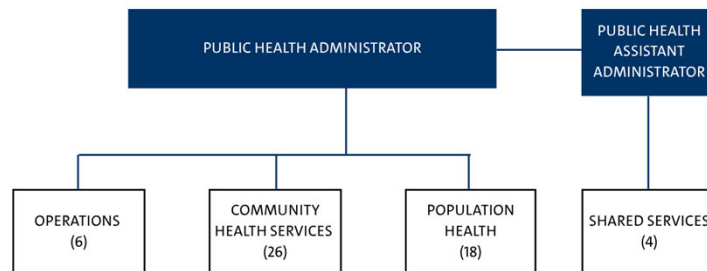
- Structure and Staffing
- Budget Request
- Priority Based Budgeting Analysis
 - Opportunities for Alignment
 - Opportunities for Revenue Generation
 - Opportunities for Cost Savings or Operational Efficiencies
- Budget Highlights
- Emerging Topics
- Discussion and Questions



Overview of structure and staffing



PUBLIC HEALTH DIVISION



Last updated 10/16/2025

56 staff: 37 Full-Time Employees 9.64 Part-Time Employees

Public Health - General Fund 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2,025	% from 2,025
Revenues					
Program Income	\$ 962,759	\$ 1,077,193	\$ 1,108,560	\$ 31,367	2.91%
Intergovernmental	5,054,883	5,185,117	5,318,377	133,260	2.57%
Other Revenues	949	1,000	1,000	-	0.00%
Transfers from Other Funds	180,276	-	-	-	0.00%
Total Revenues	6,198,867	6,263,310	6,427,937	164,627	2.63%
Expenditures					
Salaries and Benefits	4,329,242	5,510,736	5,911,951	401,215	7.28%
Materials, Supplies, & Services	2,968,171	2,060,480	2,142,402	81,922	3.98%
Internal Charges	697,156	855,244	925,637	70,393	8.23%
Capital Outlay	-	-	-	-	0.00%
Transfer to Other Funds	-	-	-	-	0.00%
Total Expenditures	\$ 7,994,569	\$ 8,426,460	\$ 8,979,990	\$ 553,530	6.57%
Less Expenses Charged to Other Funds	-	-	-	-	-
Net Total Expenditures	\$ 7,994,569	\$ 8,426,460	\$ 8,979,990	\$ 553,530	6.57%
Revenues less Expenditures	\$ (1,795,702)	\$ (2,163,150)	\$ (2,552,053)	\$ (388,903)	17.98%



Priority Based Budgeting Analysis

Insights from PBB analysis - opportunities for alignment or budget efficiencies



Opportunities for Alignment



- Key Takeaways
 - Public Health programs scored as high-impact and high-mandate programs.
 - Represent a mix of high and low-cost services and varying levels of reliance.
- Core Focus Areas
 - Chronic Disease and Injury Prevention, Substance Use Prevention, Public Health Emergency Preparedness & Response, Communicable Disease Control, Community Resource Navigation, Maternal, Child & Family Health Services, Nutrition & Wellness for Families, Foundational Public Health Infrastructure
- Partner with departments across City including External Services Team – Community Development, Parks and Recreation, and Public Health, along with Police and others to enhance services.



Opportunities for Revenue Generation



- From the PBB Report
 - Most identified opportunities are things we already do, such as pursuing state and federal grants (which make up most of our current revenue).
 - Others are things we cannot do due to state law, grant restrictions, or would require significant upfront investment (for example, dedicated staff).
- Looking Ahead
 - As federal and state funding conditions evolve, it will be important to explore non-traditional funding sources outside of state and federal grants.
 - We are prepared to pursue these opportunities as they emerge.



Opportunities for Cost Savings or Operational Efficiencies



- Shared service model with Edina and Richfield is already in place. Continue to refine.
- Data modernization ongoing
- Continue to look for opportunities with grants and partnerships



Budget Highlights



- PBB highlighted strong alignment with BTT and mandated work.
- Our foundational public health responsibilities are part of core functions of local government
- Most of the suggestions are in place already or not applicable
- Majority of our revenue comes from grants and contracts



Emerging Topics



- Rapid change to public health systems
- Uncertainty around federal partnerships and impact on state budget priorities
- Improving mental health and wellbeing and substance use prevention are health priorities through 2029.
 - Growing challenges with access to care and stress
 - This intersect with violence prevention, specifically firearms.
- Access to basic needs is the other top health issue in Hennepin County





Council Discussion and Questions



Appendix



WIC – Women, Infants & Children Nutrition Program



- \$2.6 million annually
 - 73% (\$1.9 million) of funding goes to purchases of WIC food at local grocery stores
 - Remaining funds support the staff doing this work
- Nutrition assistance for low-income pregnant/postpartum women, infants, and children up to age 5
 - We served 3,239 participants primarily from Bloomington, Edina and Richfield.
- Provides nutrition education, breastfeeding support, and healthy food
- Supports health outcomes for vulnerable families



Key Expense Changes in 2026



- Staffing costs
 - Fully staff, reclass from limited to regular PT staff
 - Increased IT costs
 - Increased benefit costs



Federal Public Health Grants



- Family Home Visiting (3 different Federal grants)
 - \$748,806 – 5 FTE
- Emergency preparedness (2 different Federal grants)
 - \$201,410 – 1.25 FTE
- CDC Infrastructure grant
 - \$580,000 - 0.5 FTE
- Early Hearing Detection and Birth Defects
- Perinatal Hepatitis B





Public Works 2026 Budget

October 20, 2025

Julie Long, City Engineer

Tim Behrendt, Maintenance Superintendent

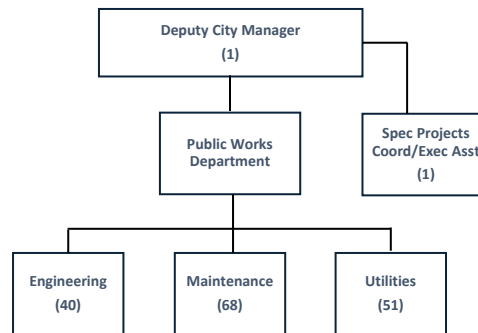


Overview

- Structure and Staffing
- Budget Request
- Priority Based Budgeting Analysis
 - Opportunities for Alignment
 - Opportunities for Revenue Generation
 - Opportunities for Cost Savings or Operational Efficiencies
- Budget Highlights
- Emerging Topics
- Discussion and Questions



Overview of structure and staffing



161 Full-Time Employees (FTEs)



Public Works - General Fund 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Program Income	\$ 1,962	\$ -	\$ -	\$ -	0.00%
Permits and Licenses	261,655	505,700	505,700	-	0.00%
Intergovernmental	7,575	-	-	-	0.00%
Other Revenues	122,023	54,000	72,163	18,163	33.64%
Transfers from Other Funds	1,989,769	1,647,229	1,691,546	44,317	2.69%
Total Revenues	2,382,984	2,206,929	2,269,409	62,480	2.83%
Expenditures					
Salaries and Benefits	8,670,359	9,383,117	9,743,651	360,534	3.84%
Materials, Supplies, & Services	3,377,644	4,471,294	4,353,389	(117,905)	-2.64%
Internal Charges	5,039,300	5,530,264	6,028,798	498,534	9.01%
Capital Outlay	89,157	83,000	83,000	-	0.00%
Transfer to Other Funds	326,096	-	-	-	0.00%
Total Expenditures	\$ 17,502,556	\$ 19,467,675	\$ 20,208,838	\$ 741,163	3.81%
Less Expenses Charged to Other Funds	(3,770,803)	(3,877,356)	(3,974,290)	(96,934)	2.50%
Net Total Expenditures	\$ 13,731,753	\$ 15,590,319	\$ 16,234,548	\$ 644,229	4.13%
Revenues less Expenditures	\$ (11,348,769)	\$ (13,383,390)	\$ (13,965,139)	\$ (581,749)	4.35%

Public Works Fleet Fund 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Internal Revenue from other Departments	\$ 8,364,435	\$ 8,942,783	\$ 10,307,205	\$ 1,364,422	15.26%
Permits and Licenses	-	-	-	-	0.00%
Intergovernmental	-	-	-	-	0.00%
Interest Income	183,128	50,000	50,000	-	0.00%
Other Revenues	714,025	220,000	220,000	-	0.00%
Transfers from Other Funds	350,000	-	-	-	0.00%
Total Revenues	9,611,587	9,212,783	10,577,205	1,364,422	14.81%
Expenditures					
Salaries and Benefits	1,387,632	1,538,057	1,581,172	43,115	2.80%
Materials, Supplies, & Services	2,510,633	2,746,700	2,890,600	143,900	5.24%
Internal Charges	1,577,219	1,521,128	1,604,646	83,518	5.49%
Capital Outlay	4,712,273	4,017,919	4,419,711	401,792	10.00%
Transfer to Other Funds	-	-	-	-	0.00%
Total Expenditures	\$ 10,187,757	\$ 9,823,804	\$ 10,496,129	\$ 672,325	6.84%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 10,187,757	\$ 9,823,804	\$ 10,496,129	\$ 672,325	6.84%
Revenues less Expenditures	\$ (\$76,170)	\$ (611,021)	\$ 81,076	\$ 692,097	113.27%

Public Works Facilities Fund 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Internal Revenue from other Departments	\$ 6,859,591	\$ 7,166,773	\$ 7,525,110	\$ 358,337	5.00%
Permits and Licenses	-	-	-	-	0.00%
Intergovernmental	900	-	-	-	0.00%
Interest Income	510,888	150,000	150,000	-	0.00%
Other Revenues	1,557	-	1,000	1,000	0.00%
Transfers from Other Funds	773,019	3,068,554	-	(3,068,554)	-100.00%
Total Revenues	\$ 8,145,956	\$ 10,385,327	\$ 7,676,110	\$ (2,709,217)	-26.09%
Expenditures					
Salaries and Benefits	1,537,067	2,157,102	2,271,355	114,254	5.30%
Materials, Supplies, & Services	2,260,945	2,752,700	2,763,750	11,050	0.40%
Internal Charges	1,506,183	1,256,120	1,372,351	116,231	9.25%
Capital Outlay	1,296,045	3,572,956	4,050,043	477,087	13.35%
Transfer to Other Funds	-	-	-	-	0.00%
Total Expenditures	\$ 6,600,239	\$ 9,738,878	\$ 10,457,500	\$ 718,622	7.38%
Less Expenses Charged to Other Funds	(501,137)	-	-	-	0.00%
Net Total Expenditures	\$ 6,099,102	\$ 9,738,878	\$ 10,457,500	\$ 718,622	7.38%
Revenues less Expenditures	\$ 2,046,854	\$ 646,449	\$ (2,781,390)	\$ (3,427,839)	-530.26%



Priority Based Budgeting Analysis

Insights from PBB analysis - opportunities for alignment or budget efficiencies



PBB Analysis – Limitations



- Some recommendations are repeated in multiple sections, which may inflate their overall projected impact.
- The analysis draws on general industry examples that don't fully capture Bloomington's unique financial structure or organizational context.
- Comparison cities vary significantly in size, climate, and operational capacity, making direct comparisons difficult.
- Many recommendations align with initiatives the City has already implemented or begun.



Opportunities for Alignment



- Partner with others in External Services Team – Community Development, Parks and Recreation, and Public Health to enhance services
- Consolidate employee training across Public Works Divisions
- Enhance alignment with future strategic plan for critical city services
- Align programs & resources for sustainability and increasing capacity using an existing position to address city-wide projects



Opportunities for Revenue Generation



- Establish Employer Participation fees for the current Transportation Demand Management (TDM) program
- Pursue cost recovery of staff time for development studies
- Continue seeking grant opportunities to support operations and programs



Opportunities for Cost Savings or Operational Efficiencies



- Solar opportunities on other public buildings
- Vehicle sharing program
- Extending the life cycle of some vehicles/equipment



Budget Highlights



- Identified over \$200,000 in budget savings by tightening operational expenses across several categories.
 - Reduction in travel/training of \$20,726
 - Reduction in overtime of \$26,900
 - Reduction in supplies of \$35,256
 - Reduction of equipment rental of \$37,148
 - Reduction in electric utility costs of \$81,500



Emerging Topics

- Resilient Infrastructure
- E-bikes/E-scooters
- Green Materials/Circular Economy
- Safe System Approach



Council Discussion and Questions

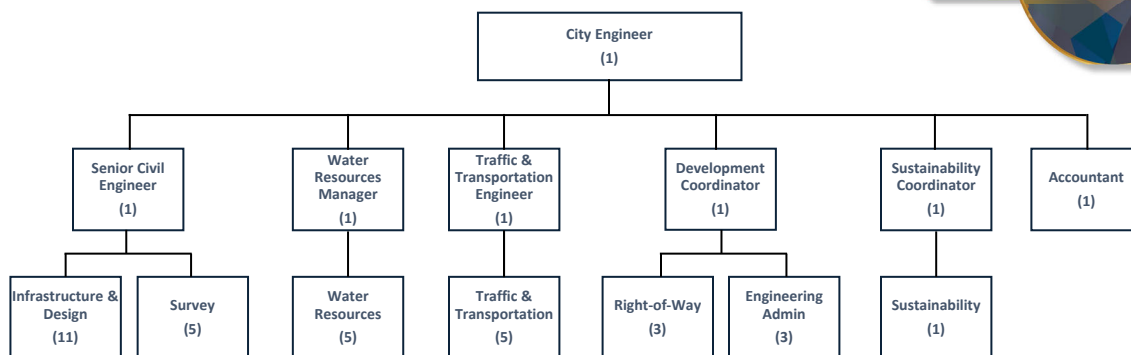




Appendix



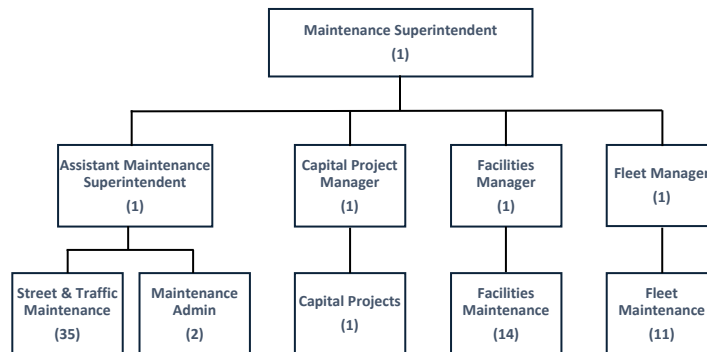
Overview of structure and staffing



40 Full-Time Employees (FTEs)



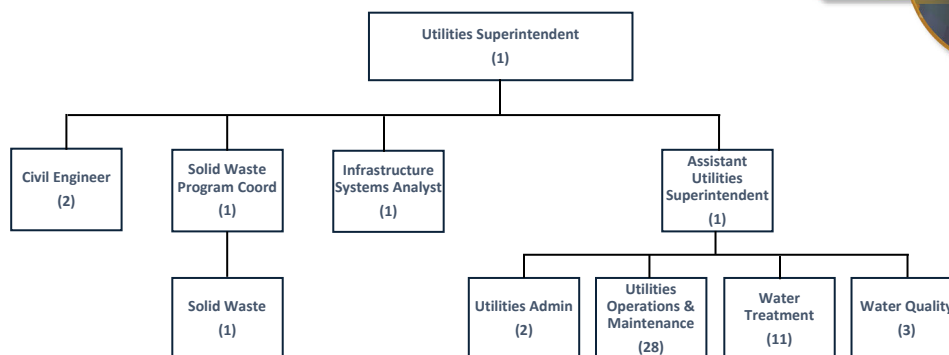
Overview of structure and staffing



68 Full-Time Employees (FTEs)



Overview of structure and staffing



51 Full-Time Employees (FTEs)



FLEET FUND - FUND 7100							
	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
MAINTENANCE CHARGES TO DEPARTMENTS	4,424,047	5,150,101	5,463,325	6,231,628	6,605,526	6,869,747	7,213,234
REPLACEMENT CHARGES TO DEPARTMENTS	3,062,060	3,214,334	3,479,458	4,075,577	4,320,112	4,536,117	4,762,923
INVESTMENT INCOME	334,823	138,511	50,000	50,000	50,500	51,005	51,515
TRANSFERS IN	608,689	160,000					
OTHER REVENUE	303,859	948,506	220,000	220,000	200,000	200,000	200,000
TOTAL REVENUES	8,733,478	9,611,452	9,212,783	10,577,205	11,176,137	11,656,869	12,227,672
EXPENSES:							
SALARIES & BENEFITS	1,378,178	1,387,632	1,538,057	1,581,172	1,636,513	1,693,791	1,753,074
MATERIALS & SUPPLIES	2,580,004	2,510,633	2,746,700	2,890,600	2,977,318	3,066,638	3,158,637
INTERNAL EXPENSES	1,568,804	1,577,219	1,521,128	1,604,646	1,652,785	1,702,369	1,753,440
CAPITAL	5,216,629	4,712,273	4,712,273	4,419,711	4,596,499	4,780,359	5,806,574
TOTAL EXPENSES	10,743,615	10,187,757	10,518,158	10,496,129	10,863,116	11,243,157	12,471,724
	132%	110%	80%	81%	93%	109%	98%
GAIN / (LOSS)	(2,010,137)	(576,305)	(1,305,375)	81,076	313,021	413,712	(244,052)
TOTAL WORKING CAPITAL BALANCE	3,741,460	3,165,155	1,859,780	1,940,856	2,253,877	2,667,589	2,423,537
WORKING CAPITAL GOAL:	2,825,137	2,885,137	2,322,884	2,386,884	2,417,884	2,439,884	2,468,884

FACILITY MAINTENANCE - FUND 7700							
	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
CHARGES TO DEPARTMENTS	6,486,526	6,859,591	7,166,773	7,525,110	7,608,217	7,693,711	8,045,401
TRANSFER IN FROM OTHER FUNDS	804,433	736,096	3,236,554	-	-	-	-
AMERICAN RESCUE PLAN FUNDS	1,489,931	36,923	942,334	-	-	-	-
OTHER REVENUE	76,488	2,007	-	1,000	1,000	1,000	1,000
INVESTMENT EARNINGS	580,727	510,888	150,000	150,000	150,000	150,000	150,000
TOTAL REVENUES	9,438,105	8,145,505	11,495,661	7,676,110	7,759,217	7,844,711	8,196,401
EXPENSES:							
SALARIES & BENEFITS	1,504,225	1,537,065	2,157,102	2,271,355	2,339,496	2,409,681	2,531,971
MATERIALS & SUPPLIES	2,374,660	2,232,196	2,796,340	2,763,750	2,843,353	2,925,278	3,009,593
DEBT SERVICE	-	-	-	-	-	-	-
CAPITAL OUTLAY	2,950,902	838,548	3,572,956	4,050,043	1,400,000	5,320,000	4,147,513
INTERNAL EXPENSES	1,563,451	1,490,842	1,735,440	1,372,351	1,413,522	1,455,928	1,499,605
TRANSFER OUT	-	-	-	-	-	-	-
TOTAL EXPENSES	8,393,238	6,098,651	10,261,838	10,457,500	7,996,371	12,110,886	11,188,683
TOTAL GAIN (LOSS)	1,044,867	2,046,854	1,233,823	(2,781,390)	(237,154)	(4,266,175)	(2,992,281)
	88%	105%	147%	87%	100%	114%	137%
TOTAL WORKING CAPITAL BALANCE	11,696,533	13,743,387	14,977,210	12,195,820	11,958,667	7,692,492	4,700,210
TOTAL WORKING CAPITAL GOAL	13,292,365	13,037,197	10,162,792	14,003,949	12,012,348	6,727,514	3,434,001



Utility Funds Budget and Rate Discussion

October 20, 2025

Scott Anderson, Utilities Superintendent

Bryan Gruidl, Water Resources Manager

Laura Horner, Solid Waste Program Coordinator

Kari Carlson, Deputy Finance Officer



Agenda

- Water Fund Utility
- Wastewater Fund Utility
- Stormwater Fund Utility
- Solid Waste Fund Utility
- Recap of Proposed 2026 Utility Rates
- Priority Based Budgeting Analysis





Water Utility Fund

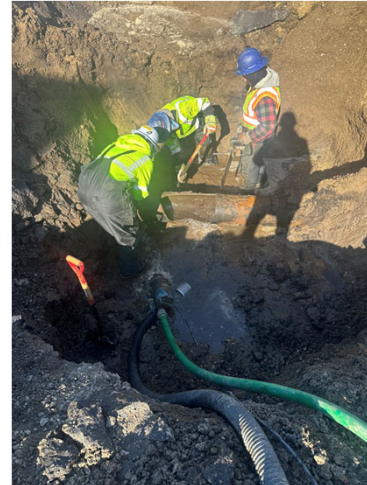
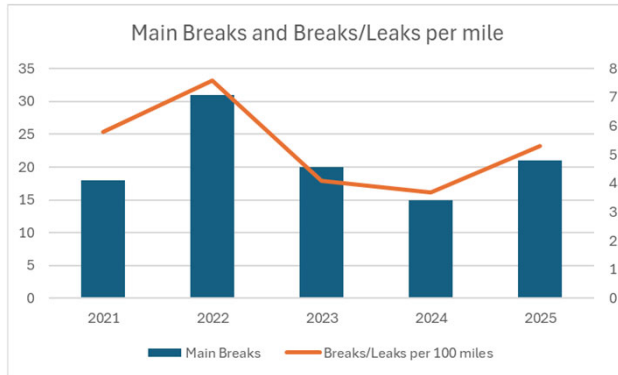


Elements supporting a resilient and healthy community

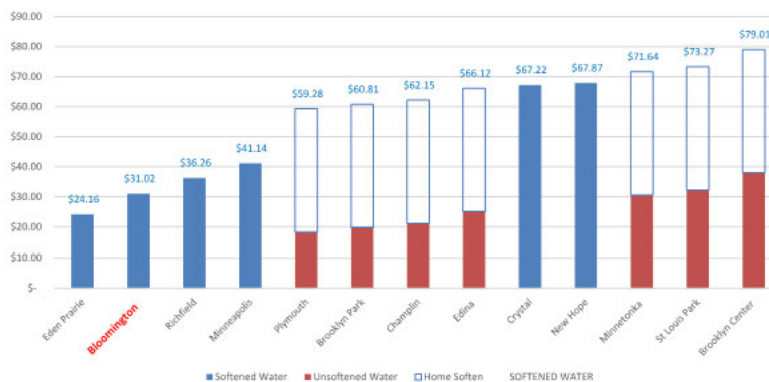
- Safe supply of drinking water
- Strive for uninterrupted service
- Renewal of aging infrastructure
- Equitable access and outreach



Service Delivery



2025 Rate Comparison and 2024 Budget Allocations



2024 Water Budget Allocations



Water Utility 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Special Assessments	652,652	205,000	205,000	-	0.00%
Program Income	19,141,846	21,885,178	22,954,438	1,069,260	4.89%
Permits and Licenses	111,049	80,000	80,000	-	0.00%
Intergovernmental	5,895	-	-	-	0.00%
Interest Income	607,878	100,000	100,000	-	0.00%
Other Revenues	184,968	200,000	174,374	(25,626)	-12.81%
Transfers from Other Funds	1,266,443	-	-	-	0.00%
Total Revenues	21,970,730	22,470,178	23,513,812	1,043,634	4.64%
Expenditures					
Salaries and Benefits	4,662,609	4,812,291	5,072,518	260,227	5.41%
Materials, Supplies, & Services	9,257,024	11,249,750	11,919,350	669,600	5.95%
Internal Charges	2,249,213	2,424,910	2,624,974	200,064	8.25%
Capital Outlay	3,256,992	4,775,000	6,000,000	1,225,000	25.65%
Debt Service	8,569	136,769	134,169	-	-0.19%
Transfer to Other Funds	-	-	-	-	0.00%
Total Expenditures	\$ 19,434,407	\$ 23,398,720	\$ 25,751,011	\$ 2,352,291	10.05%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 19,434,407	\$ 23,398,720	\$ 25,751,011	\$ 2,352,291	10.05%
Revenues less Expenditures	\$ 2,536,324	\$ (928,542)	\$ (2,237,199)	\$ (1,308,657)	140.94%

Proposed 2026 Water Rates



	2025 Rate (per 1,000 gallons)	Proposed 2026 Rate (per 1,000 gallons)	Rate Change	% Increase
Tier 1	\$5.17	\$5.17	\$0.00	0%
Tier 2	\$9.11	\$9.11	\$0.00	0%

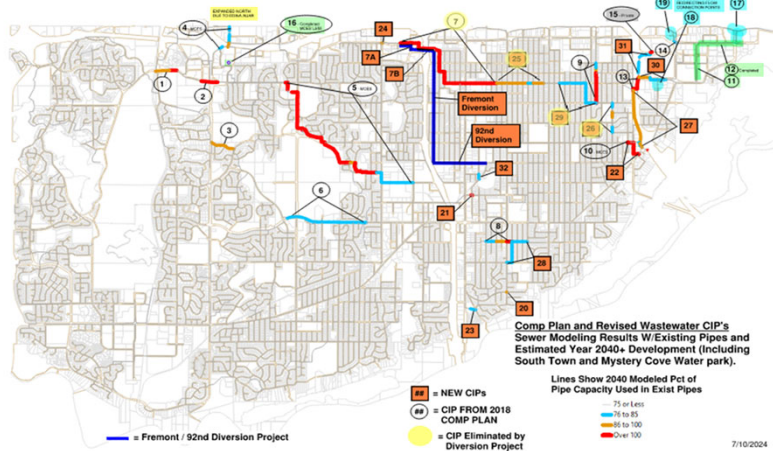
Tier 1 Rate applies to the first 12,000 gallons of water consumed (bi-monthly).
Tier 2 Rate applies to the additional gallons over 12,000 (bi-monthly)



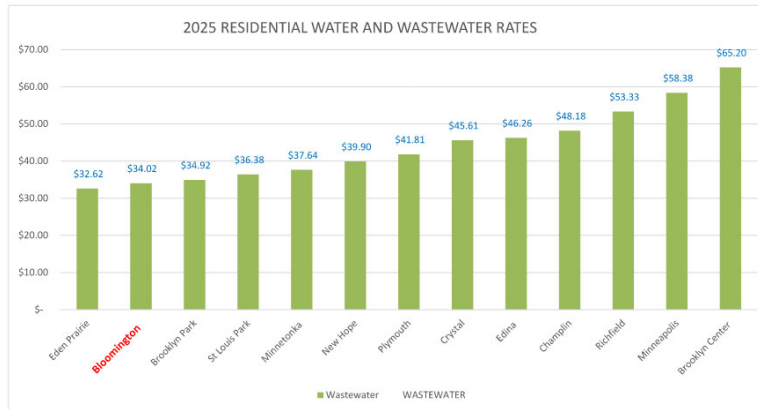
Wastewater Utility Fund



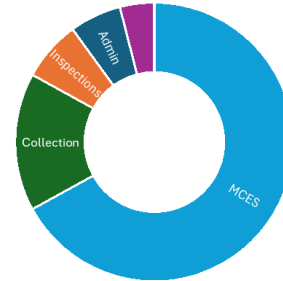
Capacity Improvements



2025 Rate Comparison and 2024 Budget Allocations



2024 Wastewater Budget Allocations



Waste Water Utility 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Special Assessments				-	0.00%
Program Income	14,280,292	15,505,596	16,541,988	1,036,392	6.68%
Permits and Licenses	546,526	20,000	20,000	-	0.00%
Intergovernmental	-	-	-	-	0.00%
Interest Income	468,752	147,000	146,000	(1,000)	-0.68%
Bond Proceeds	-	-	25,660,000	25,660,000	0.00%
Other Revenues	37,999	32,000	42,755	10,755	33.61%
Transfers from Other Funds	-	-	-	-	0.00%
Total Revenues	15,333,569	15,704,596	42,410,743	26,706,147	170.05%
Expenditures					
Salaries and Benefits	1,820,514	2,250,831	2,081,150	(169,681)	-7.54%
Materials, Supplies, & Services	9,720,201	10,097,600	10,718,863	621,263	6.15%
Internal Charges	1,582,719	1,756,176	1,839,948	83,772	4.77%
Capital Outlay	318,984	5,221,561	30,310,000	25,088,439	480.48%
Interest Paid on Debt Service	-	-	500,000	500,000	0.00%
Transfer to Other Funds	-	-	-	-	0.00%
Total Expenditures	\$ 13,442,419	\$ 19,326,168	\$ 45,449,962	\$ 26,123,794	135.17%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 13,442,419	\$ 19,326,168	\$ 45,449,962	\$ 26,123,794	135.17%

Proposed 2026 Wastewater Rates



	2025 Rate (per 1,000 gallons)	Proposed 2026 Rate (per 1,000 Gallons)	Rate Change	% Increase
Wastewater Rate	\$5.67	\$6.00	\$0.33	6%



Stormwater Utility Fund

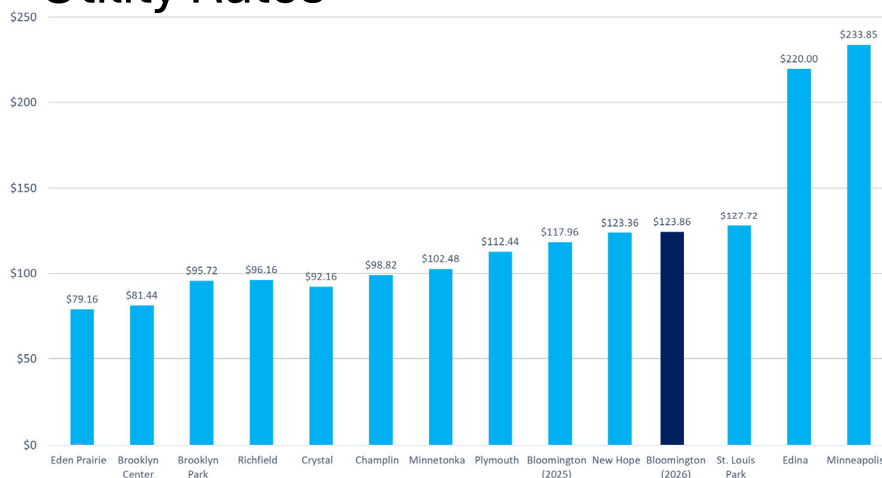


Evolution and Successes in Stormwater Management

- Implementation of Storm Utility
- Adaptive level control
- Spent lime re-use
- Turtle Tunnel
- Low Salt Design
- Enhanced Street Sweeping



2025 Single Family Annual Stormwater Utility Rates



Storm Water Utility 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Special Assessments	197,216	40,000	40,000	-	0.00%
Program Income	8,075,500	8,409,997	8,909,796	499,799	5.94%
Permits and Licenses				-	0.00%
Intergovernmental	18,000	-	-	-	0.00%
Interest Income	515,483	92,000	83,000	(9,000)	-9.78%
Other Revenues	52,623	-	-	-	0.00%
Transfers from Other Funds	-	-	-	-	0.00%
Total Revenues	8,858,821	8,541,997	9,032,796	490,799	5.75%
Expenditures					
Salaries and Benefits	1,792,509	1,862,317	1,696,155	(166,162)	-8.92%
Materials, Supplies, & Services	210,260	442,625	561,225	118,600	26.79%
Internal Charges	1,546,910	1,736,651	1,848,134	111,483	6.42%
Capital Outlay	3,198,024	4,450,000	4,900,000	450,000	10.11%
Debt Service	334,208	979,938	971,063	-	0.00%
Transfer to Other Funds				-	0.00%
Total Expenditures	\$ 7,081,911	\$ 9,471,531	\$ 9,976,577	\$ 505,046	5.33%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 7,081,911	\$ 9,471,531	\$ 9,976,577	\$ 505,046	5.33%
Revenues less Expenditures	\$ 1,776.911	\$ (929.534)	\$ (943.781)	\$ (14.247)	1.53%

Proposed 2026 Stormwater Rates



	2025 Rate	Proposed 2026 Rate	Rate Change	% Increase
Cemeteries, Parks, Golf Courses	\$12.93	\$12.93	\$0.00	0%
Single Family Residential (1/3 acre)	\$9.83	\$9.83	\$0.00	0%
School, Institution	\$49.12	\$49.12	\$0.00	0%
Church, Multi-family residential	\$69.75	\$69.75	\$0.00	0%
Commercial, Industrial	\$124.15	\$124.15	\$0.00	0%



Solid Waste Utility Fund



2026 Proposed Garbage Rate Direction – Enhanced PAYT



Council Direction (August 2024)

- Incorporate strong financial incentives between garbage cart sizes
- Introduce a new **every-other-week (EOW)** garbage service option

Goals

- Make the system **fairer** across households
- **Encourage recycling and organics** participation and waste prevention
- Ensure **long-term financial sustainability** of solid waste services

Foundation

- Based on the **2024 Solid Waste Pay-As-You-Throw (PAYT) Rate Study**, a comprehensive analysis of costs, service levels, and community input



Proposed 2026 Garbage Rates



Cart Size	2025 Rate	2026 Rate	% Increase
Every-Other-Week (EOW) Small	NA	\$7.93	NA
Small (35-gallon)	\$11.23	\$10.57	-6%
Medium (65-gallon)	\$15.16	\$18.50	22%
Large (95-gallon)	\$19.08	\$26.43	38%
Weighted Average Rate	\$15.71	\$15.06	-4%

Not including Hennepin County Solid Waste Management Fee and State Solid Waste Tax



•Switching from a large (95-gallon) to a medium (65-gallon) cart will save you **about \$8 per month**.

•Moving from a medium to a small cart will cut your garbage rate by **more than 40 percent**.

•Choosing every-other-week (EOW) pickup for a small cart will save you **nearly 30 percent** compared with the current 2025 small-cart rate.

•Keeping a large (95-gallon) cart will cost **about 38 percent more** than it does in 2025.

Communicating the change

- Residents will receive information on new rates and service options.
- Tools and visuals will help households compare costs and choose the right cart size or service level.
- Let's Talk Bloomington
 - 3,000 people have visited the site
- Briefing Articles
 - Articles in Aug, Sep & Nov editions
 - Full page spread in Dec edition
- Direct mailer
 - Hitting mailboxes early December
 - Annual services guide mailed in Q1 2026
- Outreach at community events
 - Outreach at 10 community events Sep - Dec
 - Two City-hosted Utility Bill Fairs in Q1 2026
- Utility bill insert
- Social media, video and press releases



Q We fully support this! We are a family of 4 with 2 young kids, yet we rarely fill up our 35 gallon bin. We have a neighbor with two adults who overfill their 95 gallon bin weekly and do not participate in recycling or compost. Education, and monetary incentives like this proposal, will help us shift and evolve for the better.

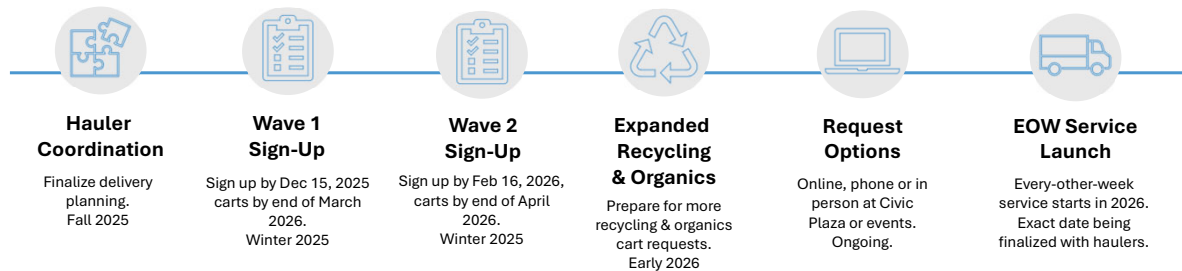
Stephanie asked, 26 days ago



A variety of cart sizes are available for Bloomington residents. A small cart could mean a smaller bill in new proposed rate structure.

BIG SAVINGS FOR SMALL CARTS
GARBAGE RATE CHANGES COULD BE COMING IN 2026

Cart Change Timeline & Key Milestones



Monthly Cost for Garbage, Recycling, Organics and Bulky Item Management Fee

Including State Solid Waste Management Tax and Hennepin County Solid Waste Fee

	2025	2026	Rate Change	% Increase
EOW Small Garbage Cart + Recycling + Organics + Bulky Item Mgmt Fee	NA	\$26.69	NA	NA
Small Garbage Cart + Recycling + Organics + Bulky Item Mgmt Fee	\$30.26	\$30.00	\$(0.26)	-1%
Medium Garbage Cart + Recycling + Organics + Bulky Item Mgmt Fee	\$35.18	\$39.93	\$4.75	13%
Large Garbage Cart + Recycling + Organics + Bulky Item Mgmt Fee	\$40.11	\$49.86	\$9.77	24%

Solid Waste (Weighted average of Garbage + Recycling + Organics + Bulky Item Management Fee)

-1.00%

Future Program Considerations

- **Direct Disposal Payments:**
Beginning **July 2026**, the City will pay **garbage disposal and organics processing costs** directly to facilities.
- **Recycling Revenue Sharing:**
The **recycling revenue share agreement** with haulers will continue.
- **County Partnership & Funding:**
Hennepin County grants will continue supporting **education, supplies, and staffing** for recycling, organics, and programs.
- **Climate Action Alignment:**
The **Solid Waste Chapter** of the upcoming **Climate Action Plan** will outline **strategic initiatives** to cut **greenhouse gas emissions** and move toward **zero waste**



Solid Waste Utility 2026 Budget Request

	2024 Actual	2025 Budget	2026 Budget	\$ from 2025	% from 2025
Revenues					
Special Assessments	18,931	20,000	20,000	-	0.00%
Program Income	9,909,691	10,106,580	10,607,303	500,723	4.95%
Permits and Licenses	-	-	-	-	0.00%
Intergovernmental	352,084	373,482	352,084	(21,398)	-5.73%
Interest Income	63,263	20,000	82,943	62,943	314.72%
Other Revenues	105	500	500	-	0.00%
Transfers from Other Funds	-	-	-	-	0.00%
Total Revenues	10,344,074	10,520,562	11,062,830	542,268	5.15%
Expenditures					
Salaries and Benefits	264,708	282,895	289,506	6,611	2.34%
Materials, Supplies, & Services	9,705,296	8,807,449	10,859,496	2,052,047	23.30%
Internal Charges	650,932	774,803	804,660	29,857	3.85%
Capital Outlay	-	-	-	-	0.00%
Transfer to Other Funds	-	-	-	-	0.00%
Total Expenditures	\$ 10,620,936	\$ 9,865,147	\$ 11,953,662	\$ 2,088,515	21.17%
Less Expenses Charged to Other Funds	-	-	-	-	0.00%
Net Total Expenditures	\$ 10,620,936	\$ 9,865,147	\$ 11,953,662	\$ 2,088,515	21.17%
Revenues less Expenditures	\$ (276,862)	\$ 655,415	\$ (890,832)	\$ (1,546,247)	235.92%



Priority Based Budgeting Analysis

Insights from PBB analysis - opportunities for alignment or budget efficiencies



Opportunities for Alignment



- Increase the percentage of customers receiving Utility Billing statements electronically (currently 35%)
- Centralized utility administration across water, wastewater, and solid waste
- Coordinate sustainable grounds management efforts to meet site needs efficiently
- Utilize digital asset management to integrate utility improvements with the pavement management program to optimize infrastructure renewal



Opportunities for Revenue Generation



- Evaluate the feasibility and potential impact of adding a credit card processing fee for Utility Billing payments
- Paperless billing for Utility bills
- Explore solar installations on additional sites
- Explore composting and recycling transfer facility ownership or partnership including exploration of the re-use of street sweepings for clean fill or compost material
- Expand bulky item nonprofit partnership to include revenue sharing and potential local reuse facility
- Continue pursuit of State and Federal Grants



Opportunities for Cost Savings or Operational Efficiencies



- Implement Automated Metering Infrastructure
- Further enhance of employee training collaboration
- Right-size large pumping facilities for enhanced energy efficiency
- Expand current workflow automation and paperless processes



Proposed 2026 Utility Rate Increases



Utility	Proposed Increase 2026 Rate
Water	0.00%
Wastewater	6.00%
Stormwater	0.00%
Solid Waste (Weighted average of Garbage + Recycling + Organics + Bulky Item Management Fee)	-1.00%



2026 Utility Rates and Budget Milestones





Discussion



Appendix



History of Water Rate Increases 2020-2025

	% Rate Increase from previous year
2020	8.50%
2021	3.00%
2022	5.00%
2023	7.50%
2024	7.50%
2025	3.00%

History of Wastewater Rate Increases 2020-2025

	% Rate Increase from previous year
2020	3.50%
2021	0.00%
2022	3.00%
2023	3.00%
2024	2.00%
2025	3.00%

History of Stormwater Rate Increases 2020-2025

	% Rate Increase from previous year
2020	4.00%
2021	2.00%
2022	2.00%
2023	5.50%
2024	7.00%
2025	0.00%

WATER UTILITY - FUND 6100

	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
TIER ONE WATER SALES	12,795,135	13,310,714	13,980,306	13,980,306	14,399,715	14,831,707	15,424,975
TIER TWO WATER SALES	7,882,974	5,483,497	7,304,872	7,304,872	7,524,018	7,749,739	8,059,728
CELL TOWER REVENUE	237,776	157,504	200,000	174,374	200,000	200,000	200,000
AMERICAN RESCUE PLAN FUNDS	35,263	1,266,443	460,214				
INTEREST AND OTHER REVENUES	1,363,476	1,752,572	985,000	990,000	997,475	1,100,177	1,090,113
TOTAL REVENUES	22,314,624	21,970,730	22,930,392	22,449,552	23,121,208	23,881,622	24,774,816
EXPENSES:							
SALARIES AND BENEFITS	4,342,345	4,662,907	4,812,291	5,072,518	5,224,693	5,381,434	5,542,877
MATERIALS, SUPPLIES, SERVICES	11,269,612	11,505,938	13,480,160	14,544,324	14,980,654	15,430,073	15,892,976
CAPITAL OUTLAY	1,620,046	3,256,992	1,975,000	6,000,000	9,450,000	4,750,000	4,965,000
DEBT SERVICE	129,548	128,569	136,769	134,169	136,434	-	-
TRANSFERS OUT	200,000	-	-	-	-	-	-
TOTAL EXPENSES	17,561,551	19,554,406	20,404,220	25,751,011	29,791,782	25,561,508	26,400,853
TOTAL GAIN (LOSS)	4,753,073	2,416,324	2,526,172	(3,301,459)	(6,670,573)	(1,679,886)	(1,626,037)
	181%	237%	179%	156%	154%	134%	110%
TOTAL WORKING CAPITAL BALANCE	18,084,489	20,500,813	23,026,985	26,328,444	19,657,870	17,977,985	16,351,948
TOTAL WORKING CAPITAL GOAL	10,015,858	8,651,153	12,896,568	16,926,425	12,740,267	13,403,894	14,876,383

WASTEWATER UTILITY - FUND 6150

	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
PERMITS - ROW AND SEWER	377,791	546,525	20,000	20,000	20,000	20,000	20,000
GRANT REVENUE	27,567	-	-	-	-	-	-
CUSTOMER UTILITIES	13,859,052	14,104,448	14,805,596	15,693,932	17,420,264	19,336,493	21,463,508
CELL TOWER	36,246	37,999	32,000	42,755	32,000	32,000	32,000
CITY SAC REVENUES			100,000	200,000	300,000	400,000	500,000
BOND PROCEEDS				25,660,000			
INTEREST REVENUE	437,555	468,752	300,000	146,000	147,000	5,425,000	47,000
OTHER REVENUES	159,636	175,845	100,000	100,000	100,000	100,000	100,000
TOTAL REVENUES	14,897,847	15,333,568	15,357,596	41,862,687	18,019,264	25,313,493	22,162,508
PROJECTED RATE INCREASES			3.00%	6.00%	11.00%	11.00%	11.00%
EXPENSES:							
SALARIES AND BENEFITS	1,892,845	1,820,513	2,250,831	2,081,150	2,143,585	2,207,893	2,274,129
MATERIALS, SUPPLIES, SERVICES	1,915,809	2,297,030	2,654,026	2,723,398	2,886,802	3,060,010	3,243,611
MET COUNCIL SEWER CONTRACT	8,245,378	9,005,889	9,200,000	9,835,413	10,327,184	10,843,543	11,385,720
CAPITAL OUTLAY	264,900	318,984	5,221,561	30,310,000	4,600,000	7,880,000	5,450,000
DEBT SERVICE				500,000	1,970,151	1,970,151	1,970,151
TRANSFERS OUT	350,000	-	-	-	-	-	-
TOTAL EXPENSES	12,668,932	13,442,417	19,326,418	45,449,962	21,927,722	25,961,597	24,323,611
TOTAL GAIN (LOSS)	2,228,915	1,891,151	(3,968,822)	(3,587,275)	(3,908,458)	(648,103)	(2,161,104)
	164%	178%	130%	90%	49%	40%	21%
TOTAL WORKING CAPITAL BALANCE	14,944,379	16,835,531	12,866,709	9,279,434	5,370,976	4,722,873	2,561,769
TOTAL WORKING CAPITAL GOAL	9,106,106	9,446,911	9,878,707	10,357,242	10,991,304	11,675,719	12,412,355

STORM WATER UTILITY - FUND 6200

	2023	2024	2025	2026	2027	2028	2029
DESCRIPTION	ACTUAL	ACTUAL	ESTIMATED	BUDGET REQUEST	PROJECTED	PROJECTED	PROJECTED
REVENUES:							
OPERATING UTILITIES	7,502,306	7,935,790	8,329,997	8,329,997	8,746,497	9,183,822	9,643,013
BOND PROCEEDS	52,507	52,507	-	-	-	-	-
GRANT REVENUES	25,000	18,000	-	-	-	-	-
OTHER REVENUES	704,651	852,526	212,000	203,000	278,640	252,024	246,408
TOTAL REVENUES	8,284,464	8,858,823	8,541,997	8,532,997	9,025,137	9,435,846	9,889,421
EXPENSES:							
SALARIES AND BENEFITS	1,753,139	1,792,508	1,863,317	1,696,155	1,747,040	1,799,451	1,853,435
MATERIALS, SUPPLIES, SERVICES	1,756,189	1,711,167	2,614,771	2,409,359	2,481,640	2,556,089	2,632,772
CAPITAL OUTLAY	2,231,256	3,191,520	6,014,005	4,900,000	6,105,000	4,327,000	4,413,000
DEBT SERVICE	975,854	969,208	979,938	971,063	970,688	963,688	967,963
TOTAL EXPENSES	6,716,438	7,664,403	11,472,031	9,976,577	11,304,367	9,646,228	9,867,169
TOTAL GAIN (LOSS)	1,568,025	1,194,420	(2,930,034)	(1,443,580)	(2,279,230)	(210,382)	22,252
	162%	160%	129%	132%	111%	99%	95%
TOTAL WORKING CAPITAL BALANCE	13,304,092	14,498,512	11,568,478	10,124,898	7,845,667	7,635,285	7,657,537
TOTAL WORKING CAPITAL GOAL	8,194,263	9,084,500	8,983,000	7,654,350	7,041,091	7,732,763	8,102,411

Strategic Investments in Water Infrastructure

- Automated Metering Infrastructure
- Water Distribution System Renewal
- Water Supply Well



Community Confidence

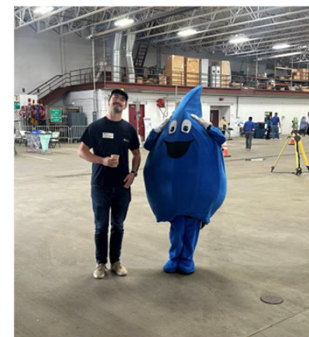
(% excellent or good)



Drinking water

BLOOMINGTON							
LEAD AND COPPER - TESTED AT CUSTOMER TAPS							
Contaminant (date, if sampled in previous years)	EPA's ideal goal (MCLG)	EPA's action level	90% of results were less than	Number of homes with high levels	Range of detected test results	Violation	Typical sources
Lead (07/24/23)	0 ppb	90% of homes are less than 15 ppb	1.9 ppb	0 out of 30	0 - 3.2 ppb	NO	Corrosion of household plumbing.
Copper (07/24/23)	0 ppm	90% of homes are less than 1.3 ppm	0.02 ppm	0 out of 30	0 - 0.02 ppm	NO	Corrosion of household plumbing.
CONTAMINANTS RELATED TO DISINFECTION - TESTED IN DRINKING WATER							
Substance (date, if sampled in previous years)	EPA's ideal goal (MCLG or MCLDL)	EPA's limit (MCL or MCLDL)	Highest average or highest single test result	Range of detected test results	Violation	Typical sources	
Total Trihalomethanes (TTHMs)	NA	80 ppb	32.1 ppb	4.3 - 71.8 ppb	NO	By-product of drinking water disinfection.	
Total Haloacetic Acids (HAA) (Total HAA refers to HAA3)	NA	60 ppb	26.1 ppb	4.8 - 54.6 ppb	NO	By-product of drinking water disinfection.	
Total Chlorine	4.0 ppm	4.0 ppm	1.91 ppm	1.4 - 2.26 ppm	NO	Water additive used to control microbes.	
OTHER SUBSTANCES - TESTED IN DRINKING WATER							
Substance (Date, if sampled in previous years)	EPA's ideal goal (MCLG)	EPA's limit (MCL)	Highest average or highest single test result	Range of detected test results	Violation	Typical sources	
Fluoride**	4.0 ppm	4.0 ppm	0.7 ppm	0.57 - 0.72 ppm	NO	Erosion of natural deposits; Water additive to promote strong teeth.	
OTHER SUBSTANCES - TESTED IN DRINKING WATER							
Contaminant	Comparison value		Highest average or highest single test result		Range of detected test results		
Sodium*	20 ppm		6.66 ppm		NA		
Sulfate	500 ppm		20.5 ppm		NA		
Perfluorobutanoic acid (PFBA) (2022)	7000 ppt		8.7 ppt		0.00 - 8.7 ppt		

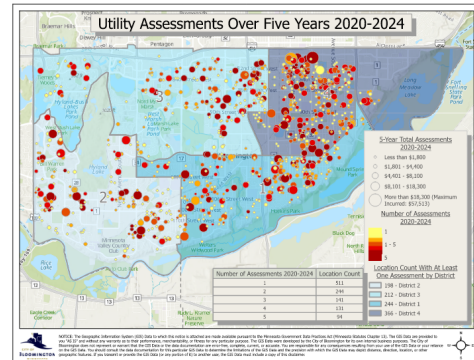
*Note that home water softening can increase the level of sodium in your water.



Affordable Rates



SFR Income Comparison		SFR Drinking Water Rate Impact
Median Household Income (2023)	\$87,381	0.41%
Median Income (per capita) (2023)	\$47,791	0.76%
Federal Poverty Guideline (4) 2025	\$32,150	1.16%
Federal Poverty Guideline (1) 2025	\$15,560	2.39%



Affordable Rates



Affordability Assessment: Utility Leaders' Key Findings



Methodology used to answer questions:

- Utilizing available data & worksheet from workshop #1
 - U.S. Census Data ([linked](#))
 - ProJusticeMN Federal Poverty Guidelines ([linked](#))
 - Measuring Household Affordability for Water and Sewer Utilities, Teodoro, Texas A&M University, College Station TX, January 2018, Journal AWWA
- Formula manipulation
 - Actual Avg W+S instead of per capita costs
 - 200% Federal Poverty Guidelines instead of 20th income percentile
 - Essential costs estimated from Workshop #1
 - Applied formulas to entire utility bill for medium user

Water and sewer bill measures:

- Affordability Ratio_{MHI} = 2.1%
- Affordability Ratio_{200FPG} = N/A (negative)
- Hours at minimum wage = 5.4 hrs

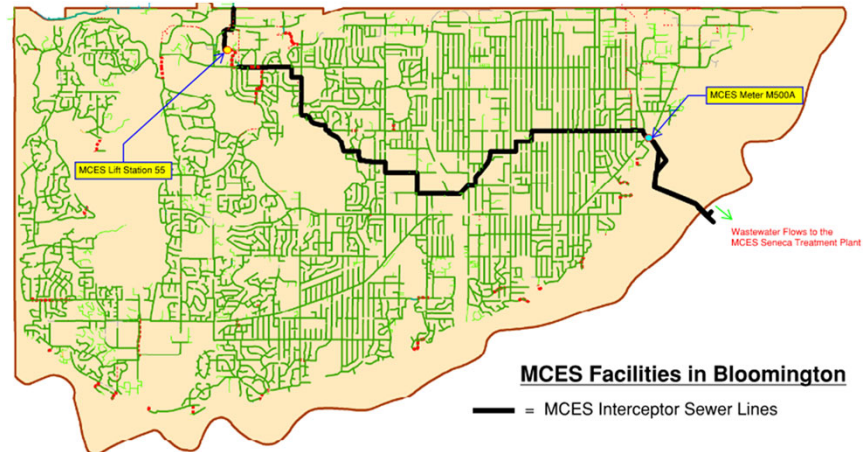
Full utility bill measures:

- ARMHI = 3.8%
- AR_{200FPG} = N/A (negative)
- HM = 9.2 hrs

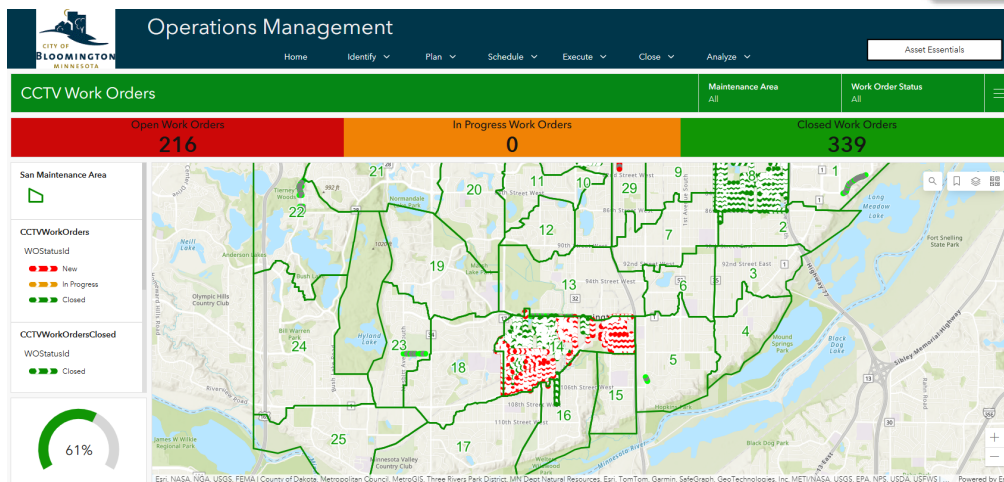
Where: Pc=1; W+S=SRF Avg; MHI=\$87,372; 200 FPG=\$30,120; Ec=\$4,550; state minimum wage = \$11.13



Metropolitan Council Environmental Services



Wastewater Collection Operations





Request for Council Action

Originator City Manager's Office	Item Additional Attachments
Agenda Section ATTACHMENTS	Date October 20, 2025

Requested Action:

Informational only

Item created by: Priyanka Rai, City Manager's Office

Description:

Additional attachments for 10.20.25

Attachments:

[10-20-25.pdf](#)

Council Q & A 10/20/25

From Hedin, Kathy <khedin@BloomingtonMN.gov>

Date Mon 10/20/2025 3:38 PM

To City-Council <City-Council@BloomingtonMN.gov>

Cc Walker, Zach <zwalker@BloomingtonMN.gov>; Carlson, Kari <kcarlson@BloomingtonMN.gov>; Economy-Scholler, Lori <leconomy@BloomingtonMN.gov>; Kastenday, Dakota <dkastenday@BloomingtonMN.gov>; Kelley, Nicholas <nkelley@BloomingtonMN.gov>; Warren, Alison <awarren@BloomingtonMN.gov>; Clark, Renae <rclark@BloomingtonMN.gov>; Johnson, Nick M <nmjohnson@BloomingtonMN.gov>; Berggren, Kim <kberggren@BloomingtonMN.gov>

Mayor and Council,

Councilmember Nelson has the Consent Agenda this evening. Please let me know if you have anything you'd like to hold so we can alert staff.

CONSENT BUSINESS

3.1 Approval of Fund Balance Policy Revision

Councilmember Lowman: For funds that might become inactive in the future, what's our protocol for Council approval to zero out or transfer any remaining balances? Is that spelled out somewhere outside of this policy, or do we need to clarify it?

Lori Economy-Scholler, CFO: The Finance proceeds according to City Code on whether a fund that is inactivated must be dissolved in accordance with law or the direction of City Council, the appropriate action is taken.

§ 7.01 COUNCIL TO CONTROL FINANCES.

The council has control over the financial affairs of the city and provides for the collection of all revenues and other assets, the auditing and settlement of accounts, the safekeeping and disbursement of public monies, and has discretion to make appropriations for the payment of all liabilities and expenses.

§ 7.11 FUNDS TO BE KEPT.

Subdivision 1. The city must maintain a general fund for the payment of all expenses the council considers proper. All monies levied for this fund and all monies not required to be placed in some other fund must be paid into the general fund.

Subdivision 2. The city must also maintain all other funds, or division of funds, as the budget requires or the city manager and council direct, or are required by law, ordinance or resolution.

3.2 Authorize the Bloomington-Edina-Richfield Family Services Collaborative Governing Agreement

Councilmember Lowman: Who will have decision-making authority on the governing board, and how are voting rights and dispute resolution structured among the three cities and school districts?

Nick Kelley, Public Health Administrator: The governing board will have a chair and vice-chair to support decision making and direction outlined in the by-laws. The governing board anticipate approving by-laws once the collaborative has formed. The by-laws are modeled after the procedures Department of Human Services has provided for collaboratives to follow and similar by-laws from the Hennepin South Service Collaborative that Bloomington was part of until is dissolved at the end of 2023. Most of the work supported by the collaborative is anticipated to be focused on the school districts, with a portion of the

funding set aside for community projects that meets the collaboratives goals, informed by public health data.

The by-laws and governing agreement cover how disputes are processed and how voting occurs. For disputes, if informal conversations are unable to resolve, the board will hear the dispute and develop a resolution. The standing board is comprised of the eight mandated members with equal voting rights. Each community may appoint up to four members to represent the community, who will have the same voting rights as standing board members. As a standing board member, Bloomington Public Health will work with each school district to identify appropriate community board members, in our role as the public health entity for the three communities served by the collaborative.

Councilmember Nelson: Is there a budget associated with this agreement?

Nick Kelley, Public Health Administrator: Funding is passthrough from State Department of Human Services to Hennepin County to the collaborative. No City funds are currently allocated towards this work outside of staff time.

ORGANIZATIONAL BUSINESS

5.1: Study Item – Missing Middle Housing Phase II

Councilmember Lowman: Will we be tracking the outcomes of these changes? Do you think one space per unit for cottage courts and small plexes is sufficient, or should we consider a guest parking rule for larger projects?

Dakota Kastenday, Planning Supervisor: The Community Development Department and Planning Division would continue to track the outcomes of this progress. Most of this data is collected with a building permit for us to track, and our Assessing Division can assist with this information as part of their annual reporting. Planning staff has informally been tracking smaller lot, ADU, and two-family dwelling development since 2023. The annual All Things Housing Report could be one avenue to share information about the development of Missing Middle Housing types out to the Council and broader community to track ongoing progress in this area.

Cottage courts are intentionally smaller and are a housing product type that is meant to better accommodate: single households, couples with no kids, and/or retirees wanting to age in place. In the proposed concept for Bloomington, cottages would be a max of 1,500 square feet, but other cities I found go as low as 900 square feet, so we could reduce this maximum floor area if we wanted to. While we ultimately can't control who would buy or rent a cottage unit in a cottage court, the smaller size of the unit and target demographic would more likely be a one-car household. In some cases, there might be two cars and others might be no car to balance it out.

Staff initially landed on one space per unit as the minimum to find that balance in not overbuilding, given the high cost to construct and maintain parking stalls. A project could build more than one stall per unit if the developer thought the market required more spaces. This one space per unit requirement, staff believes, leaves flexibility for a project to provide guest spaces if they feel it is needed to make the units more marketable, but isn't a mandated requirement in City Code.

5.2 Reserve Study Results

Councilmember Lowman: Could you explain which three risk scenarios have the biggest impact on our reserve floor?

Kari Carlson, Deputy Finance Officer, and GFOA Senior Research Manager Shayne Kavanagh: The biggest risks to the General Fund reserve are a prolonged economic downturn, a major emergency or disaster, and significant changes in state funding or mandates.

Councilmember Lowman: What assumptions we are making about our willingness to cut spending or use internal offsets if needed?

Kari Carlson, Deputy Finance Officer, and GFOA Senior Research Manager Shayne Kavanagh: The two most important assumptions of this type in the model are (1) the percentage of spending the City is

willing to cut during a recession, assumed at about 6%; (2) and the City's ability to generate budget surpluses, assumed at an average of 2% per year, modeled as a range of possible outcomes.

Councilmember Lowman: How often will the General Fund reserve model be reviewed and updated?

Kari Carlson, Deputy Finance Officer, and GFOA Senior Research Manager Shayne Kavanagh: The City will have ongoing access to the model and can update it as needed. Our plan is to review and update bi-annually.

Councilmember Lowman: What's the process for making sure the Monte Carlo inputs and risk assumptions stay current with future GASB changes or new City liabilities?

Kari Carlson, Deputy Finance Officer, and GFOA Senior Research Manager Shayne Kavanagh: The model includes a section where all key assumptions are listed as user defined variables, allowing us to adjust them as needed.

Councilmember Lowman: Are there areas where it makes sense for us to self-insure higher deductibles with reserves, or to consider parametric insurance for catastrophic risks? How are we weighing those options?

Kari Carlson, Deputy Finance Officer, and GFOA Senior Research Manager Shayne Kavanagh: The scope of this project is limited to reserve analysis and focuses on the following areas directly related to reserves:

- Areas where we may be over-reserved, meaning places where we might be willing to take on additional risk and maintain lower reserves
- Opportunities for risk pooling
- Opportunities to use reserves for one-time risk reduction strategies.

If we decide to explore parametric insurance in the future, the risk model could be used to test the potential value of such policies. You can read more about GFOA's research on parametric insurance and its applicability here:

<https://www.gfoa.org/materials/parametric-insurance-an-emerging-tool-for-financial>.

Councilmember Lowman: What legal or operational barriers exist to pooling reserves across funds, and can we formalize an emergency interfund loan policy to avoid redundant cushions?

Kari Carlson, Deputy Finance Officer, and GFOA Senior Research Manager Shayne Kavanagh: Pooling reserves across funds can be challenging due to legal restrictions that limit the use of resources to their intended purposes. For example, enterprise and special revenue funds must be used only for the programs they support, which prevents unrestricted sharing of reserves. However, the City could consider formalizing an emergency interfund loan policy that allows short-term borrowing between funds during a fiscal emergency. This approach would provide flexibility while maintaining compliance with fund accounting and legal requirements.

5.4 2026 Budget Discussions: External Services Team and Utility Rates

Councilmember Lowman: What's the estimated annual dollar increase for an average Bloomington residential utility bill (Water, Wastewater, Stormwater combined) based on the proposed 2026 rates, and how does this compare as a percentage of Median Household Income?

Kari Carlson, Deputy Finance Officer: Estimated average cost of \$84 per year, or about 0.09% of the median household income. However, with an every-other-week garbage pickup option, the cost could decrease by roughly \$30 per year.

Councilmember Lowman: Can staff give two examples from the External Services budget requests where the Priority Based Budgeting analysis directly resulted in a budget reduction, cost savings, or a reallocation of resources away from a lower-priority program?

Kari Carlson, Deputy Finance Officer: The PBB analysis helped validate direction and highlight opportunities to reallocate resources. In Public Works, a vacant position was repurposed to support citywide project coordination and sustainability efforts. In Parks and Recreation, the use of recreation

software will be expanded across divisions, and partnerships with the School District and Three Rivers Park District were expanded.

Councilmember Lowman: Staff mentioned new revenue opportunities. What's the highest-potential, new revenue stream identified for 2026 in Parks and Recreation or Community Development, and what's its projected value?

Alison Warren, Analytics and Strategy Manager: In 2026 and beyond, Parks and Recreation identifies Naming and Sponsorships as the highest potential revenue stream. The City has partnered with The Superlative Group, a sponsorship agency with expertise in strategic and corporate partnerships, to move this project forward. Agreements with potential individuals, groups and organizations may take 6-18 months to solidify and potential revenue will be determined at the time of negotiations but estimates are more than \$500,000 annually.

Councilmember Lowman: How will Council measure the success of any new discretionary spending in the External Services budgets? For example, what's the 2026 performance target for Public Health regarding a key community wellness indicator tied to this budget?

Kari Carlson, Deputy Finance Officer: Council can measure the success of new discretionary spending by looking at performance measures and community outcomes tied to each program. Public Health is currently in the process of finishing their Community Health Improvement Plan, with community input. This plan guides their work around addressing community needs identified in the Community Health Assessment, which aligns well with BTT. Public Health will also continue to track several outcomes related to grants as they work to promote, protect and improve the health of all in Bloomington. Public Health will work with the Deputy City Manager to share this information, once finished, into the BTT metrics.



Kathleen (Kathy) Hedin, Interim City Manager

Email: khedin@bloomingtonmn.gov

Office: 952-563-8836

1800 West Old Shakopee Road, Bloomington, MN 55431

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