S&P Global Ratings

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Summary:

Bristol, Connecticut; General Obligation; Note

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Table Of Contents

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Credit Profile		
US$21.13 mil tax-exempt GO bnds ser 2017 due 05/15/2035		
Long Term Rating	AA+/Stable	New
US$3.4 mil GO BANs dtd 05/30/2017 due 05/29/2018		
Short Term Rating	SP-1+	New
Bristol GO		
Long Term Rating	AA+/Stable	Affirmed
Bristol GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

S&P Global Ratings assigned its 'AA+' rating to Bristol, Conn.'s series 2017 general obligation (GO) bonds and affirmed its 'AA+' rating on the city's existing GO debt. The outlook is stable.

In addition, we assigned our 'SP-1+' short-term rating to the city's bond anticipation notes (BANs), payable May 29, 2018.

The city's unlimited-tax-GO pledge to levy ad valorem taxes without limit as to rate or amount on all taxable property within its borders secures the bonds and notes. We understand officials intend to use bond proceeds to finance general-purpose and infrastructure projects included in its capital improvement plan (CIP).

The short-term rating reflects our view of the city's very strong capacity to pay principal and interest when the BANs come due. Bristol maintains a low market risk profile with strong legal authority to issue long-term debt to take out the BANs, and it is a frequent issuer that regularly provides ongoing disclosure to market participants.

Factors supporting the rating include our opinion of Bristol's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with an operating surplus in the general fund and a slight operating surplus at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 16% of operating expenditures;
- Very strong liquidity, with total government available cash at 34.3% of total governmental fund expenditures and 9.2x governmental debt service, and access to external liquidity we consider strong;
- Very strong debt and contingent liability position, with debt service carrying charges at 3.7% of expenditures and net direct debt that is 34.4% of total governmental fund revenue, as well as low overall net debt at less than 3% of

market value and rapid amortization, with 72.6% of debt scheduled to be retired in 10 years; and
- Very strong institutional framework score.

Strong economy

We consider Bristol's economy strong. The city, with an estimated population of 60,050, is in Hartford County in central Connecticut, 16 miles west of Hartford and 25 miles north of North Haven. It is in the Hartford-West Hartford-East Hartford MSA, which we consider to be broad and diverse. It has a projected per capita effective buying income of 103.3% of the national level and per capita market value of $93,034. Overall, market value grew by 1.8% over the past year to $5.6 billion in 2018. The county unemployment rate was 5.3% in 2016.

The city is home to the sports broadcaster and media firm ESPN, which is its largest employer, with more than 4,000 employees, and its largest taxpayer, accounting for 5.6% of the net taxable grand list (assessed value in Connecticut). The city's grand list has recently increased following some moderate declines between 2013 and 2015. The increase reflects some new development and expansions, particularly in its industrial parks. The city has also seen new growth and development as part of the Centre Square project--previously the site of the Bristol Centre Mall.

We previously noted that the city's second-largest taxpayer, trash-to-energy facility operator Covanta, was closing, but city officials have confirmed that the facility is fully operational.

Looking ahead, we anticipate Bristol's economy to be stable. Unemployment remains low in the community and the grand list is relatively diversified, with 52% coming from residential property and 27% from industrial and commercial property.

Very strong management

We view the city's management as very strong, with "strong" financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

Bristol maintains a number of best practices critical to supporting credit quality, and these practices are highly embedded in the government's daily operations. Key policies and practices include a conservative budget process (whereby three-to-five years of historical trends are used and intergovernmental revenue is included only when amounts have been confirmed), monthly budgetary performance reporting, the maintenance of a comprehensive 10-year CIP, and formally adopted debt management, investment, and reserve policies.

Strong budgetary performance

Bristol's budgetary performance is strong, in our opinion. The city had surplus operating results in the general fund of 2.2% of expenditures, and slight surplus results across all governmental funds of 1.2% in fiscal 2016. General fund operating results of the city have been stable over the last three years, with results of 0.4% in 2015 and 0.4% in 2014.

Our analysis of budgetary performance includes adjustments to account for regularly occurring transfers from the general fund and nonmajor governmental funds. General fund expenditures are also adjusted for regular transfers to the debt service fund.

The 2016 operating result was strong and reflected expenditure appropriations not fully expended, and also certain line-item carryovers.

We anticipate the city maintaining strong budgetary performance over the next several years despite looming fiscal pressures at the state level. It is projecting a budgetary surplus nearing $1 million in the general fund. We anticipate performance across all governments to will also perform strongly as in years past.

The city has largely maintained positive operating results through the use of conservative budgeting practices, strategic fund balance planning, and positive revenue variances. Its reserve policy entails the maintenance of its unassigned general fund balance at 10% to 15% of expenditures; certain amounts exceeding 15% are to be transferred to other reserves for capital and maintenance projects and other contingencies. The city's recorded surpluses during the past several fiscal years would be substantially larger barring the strategic transfers to other committed or restricted reserves, emphasizing prudent management of resources.

For fiscal 2018, Bristol's proposed budget totals $204 million. The two largest revenue sources in the 2016 general fund budget are property taxes at 71% and intergovernmental revenue at 26%. As we noted in our commentary (see "Connecticut's Proposed State Budget Could Lead To Significant Local Government Budget Uncertainty," published Feb. 16, 2017, on RatingsDirect), the governor's proposal, shifts teacher pension costs down to local governments and makes substantial changes to the education cost-sharing distributions to municipalities. Management indicates it has adjusted this potential paradigm shift into the budgeting procedures and has positioned itself to be able to amend the budget in response to any changes. Nevertheless, we believe this provides a level of uncertainty for the city, as it works through the budget adoption process.

Very strong budgetary flexibility

Bristol's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 16% of operating expenditures, or $33.1 million.

We anticipate budgetary flexibility will remain very strong in 2017.

We view the city's strategically allocated excess surpluses in its equipment and building sinking and capital funds as credit strengths given their ability to offset pressures from the current funding of some capital expenses.

In keeping with what we consider its conservative budgeting practices, management has since reduced its reliance on fund balance appropriations to fund operating expenditures. We anticipate budgetary flexibility will remain very strong, and in line with historical targets and practices.

Very strong liquidity

In our opinion, Bristol's liquidity is very strong, with total government available cash at 34.3% of total governmental fund expenditures and 9.2x governmental debt service in 2016. In our view, the city has strong access to external liquidity if necessary.

We anticipate liquidity will remain very strong given the strong budgetary performance and budgetary flexibility.

Bristol has demonstrated strong market access through a number of GO and BAN issuances during the past 10 years. The city does not engage in the aggressive use of investments that could add significant volatility to its liquidity position. In addition, it is not exposed to variable-rate or privately placed debt that could result in undue contingent liabilities through acceleration events or interest rate risk.

Very strong debt and contingent liability profile

In our view, Bristol's debt and contingent liability profile is very strong. Total governmental fund debt service is 3.7% of total governmental fund expenditures, and net direct debt is 34.4% of total governmental fund revenue. Overall net debt is low at 1.5% of market value, and approximately 72.6% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

Future capital needs are manageable and will be issued as debt retires, so we do anticipate any substantial changes to the city's debt profile.

Bristol's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 1.8% of total governmental fund expenditures in 2016. Of that amount, 0.1% represented required contributions to pension obligations, and 1.7% represented OPEB payments.

The city maintains three single-employer pension plans, each of which is extremely well funded. The city of Bristol Retirement fund has a 2016 net pension liability of $9.4 million, and net positions of 95.3%. The Firefighters Benefit and the Police Benefit funds each have net pension assets of $105 million and $73.4 million, respectively. The 2016 net position of those plans are 246% and 163%, respectively.

Teachers and other certified personnel are eligible to participate in the Connecticut State Teachers' Retirement, a cost-sharing multiemployer system. Contributions into the plan are made by the state. Notably, as part of the governor's initial budget, the proposal seeks a one-third shift of costs down to local governments of $5.9 million, or roughly 3.2% of general fund revenues. We note this measure of the governor's proposal is meeting heavy political resistance. The city is aware of this shift and has the budgetary flexibility to address any change.

Bristol also provides retiree health care benefits to its employees (OPEBs). The unfunded liability as of the last actuarial evaluation was $56.2 million. The city has been contributing funds toward this obligation and currently maintains roughly $4.4 million in assets. The funded ratio is $7.3%.

Very strong institutional framework

The institutional framework score for Connecticut municipalities is very strong.

Outlook

The stable outlook reflects our opinion of Bristol's strong economy that is supported by access to the Hartford and New Haven MSAs. The outlook further reflects our view of the city's strong budgetary performance and very strong flexibility that are bolstered by its very strong management practices. We also note the city's lack of budgetary pressure typically arising from the risk of accelerating pension contributions. Given these factors, we do not anticipate changing the rating over the outlook horizon.

Upside scenario

Should the city's economic profile continue to rise relative to those of higher rated municipalities in the region, and should the state funding environment stabilize and Bristol continue to produce balanced-to-positive operating results and maintain very strong budgetary flexibility, we could raise the rating.

Downside scenario

If the city experiences consecutive years of operating deficits, resulting in weakened budgetary performance or flexibility, we could lower the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.