Bristol, Connecticut

New Issue Report

Ratings

Long-Term Issuer Default Rating	AAA

New Issues

General Obligation Bonds, Series 2017	AAA
General Obligation Bond Anticipation Notes, Series 2017	F1+

Outstanding Debt

General Obligation Bonds	AAA

Rating Outlook

Stable

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New Issue Details

Sale Date: May 18 via competitive sale.

Series: $21,130,000 GO Bonds, Series 2017, and $3,400,000 GO Bond Anticipation Notes (BANs), Series 2017.

Purpose: The bonds and BANs are being issued to finance various general purpose and school-related projects within Bristol (the city).

Security: The city's full faith and credit and unlimited taxing authority.

Analytical Conclusion

The 'AAA' Issuer Default Rating and GO bond rating reflect the city's high independent legal ability to raise revenues, ample expenditure flexibility and very low long-term liability burden. The city has sustained strong operating performance during both times of an economic downturn and economic recovery. The 'F1+' short-term bond rating is mapped to the city's long-term bond rating.

Key Rating Drivers

Economic Resource Base: Bristol is a suburban city located 20 miles southwest of the state capital city of Hartford. Bristol's population has been stable, numbering between 60,000 and 61,000 since 2008. The broad-based economy includes healthcare and manufacturing, and is home to the headquarters of ESPN.

Revenue Framework: 'aaa' factor assessment. Property taxes make up just under two-thirds of general fund revenues, and the city has ample revenue-raising capacity due to its unlimited legal taxing authority. General fund revenue growth has typically exceeded inflation and been in line with GDP as a result of tax rate increases and moderate tax base growth. Fitch Ratings expects future natural revenue growth to slightly lag GDP levels but exceed inflation due to the potential for new growth in the tax base based on economic development projects planned or underway.

Expenditure Framework: 'aa' factor assessment. The city's fixed carrying costs associated with debt service, pension and OPEB contributions are a low 5% of total governmental spending. Management has adequate control over headcount and wages and has shown spending flexibility during economic downturns. A history of pay-as-you-go financing for capital needs also provides for expenditure flexibility.

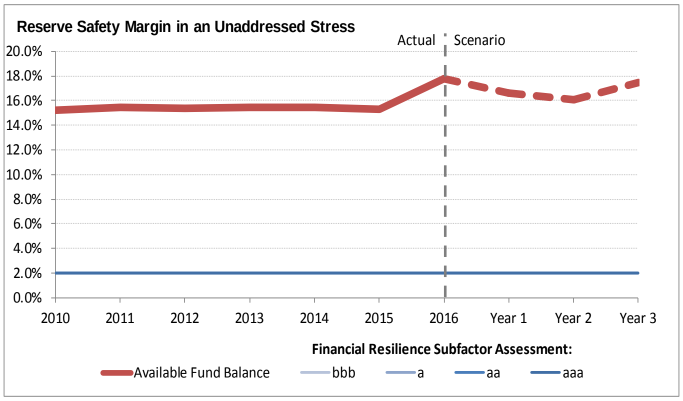
Long-Term Liability Burden: 'aaa' factor assessment. Bristol's long-term liability burden is low at an estimated 3% of residents' personal income. Fitch expects the burden to remain low as a result of manageable future borrowing plans, very strong funded pensions and above-average principal amortization.

Operating Performance: 'aaa' factor assessment. Fitch expects Bristol to manage through periods of economic decline while maintaining a sound financial cushion on the basis of the city's superior level of budgetary flexibility and history of careful financial management.

Bristol (CT)

Scenario Analysis

v. 2.0 2017/03/24



Analyst Interpretation of Scenario Results:

Fitch expects the city will continue to maintain financial flexibility throughout an economic cycle given its historically stable revenue performance, superior level of inherent budget flexibility on the basis of its unlimited taxing authority and ample spending flexibility. In addition, management has demonstrated its commitment to maintaining sound reserve levels in compliance with its policy of at least 15% of spending.

Scenario Parameters:	Year 1	Year 2	Year 3
GDP Assumption (% Change)	(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)	2.0%	2.0%	2.0%
Revenue Output (% Change)	(1.0%)	2.6%	4.0%
Inherent Budget Flexibility	Superior		

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2010	2011	2012	2013	2014	2015	2016	Year 1	Year 2	Year 3
Total Revenues	178,178	183,756	190,282	195,280	198,138	207,757	207,319	205,246	210,599	219,000
% Change in Revenues	-	3.1%	3.6%	2.6%	1.5%	4.9%	(0.2%)	(1.0%)	2.6%	4.0%
Total Expenditures	146,669	149,239	156,356	152,601	158,025	191,704	189,160	192,943	196,802	200,738
% Change in Expenditures	-	1.8%	4.8%	(2.4%)	3.6%	21.3%	(1.3%)	2.0%	2.0%	2.0%
Transfers In and Other Sources	2,053	337	26,317	15	2,288	6	74	73	75	78
Transfers Out and Other Uses	33,081	34,489	59,250	42,025	41,574	15,268	13,793	14,069	14,351	14,638
Net Transfers	(31,028)	(34,152)	(32,933)	(42,010)	(39,286)	(15,262)	(13,719)	(13,996)	(14,275)	(14,559)
Bond Proceeds and Other One-Time Uses	-	-	24,569	-	-	-	-	-	-	-
Net Operating Surplus(+)/Deficit(-) After Transfers	481	365	993	669	827	791	4,440	(1,693)	(479)	3,702
Net Operating Surplus(+)/Deficit(-) (% of Expend. and Transfers Out)	0.3%	0.2%	0.5%	0.3%	0.4%	0.4%	2.2%	(0.8%)	(0.2%)	1.7%
Unrestricted/Unreserved Fund Balance (General Fund)	27,323	28,427	29,428	30,096	30,924	31,716	36,148	34,455	33,976	37,678
Other Available Funds (Analyst Input)	-	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Analyst Input)	27,323	28,427	29,428	30,096	30,924	31,716	36,148	34,455	33,976	37,678
Combined Available Fund Bal. (% of Expend. and Transfers Out)	15.2%	15.5%	15.4%	15.5%	15.5%	15.3%	17.8%	16.6%	16.1%	17.5%

Reserve Safety Margins	Inherent Budget Flexibility				
	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	16.0%	8.0%	5.0%	3.0%	2.0%
Reserve Safety Margin (aa)	12.0%	6.0%	4.0%	2.5%	2.0%
Reserve Safety Margin (a)	8.0%	4.0%	2.5%	2.0%	2.0%
Reserve Safety Margin (bbb)	3.0%	2.0%	2.0%	2.0%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's downturn scenario assumes a -1.0% GDP decline in the first year, followed by 0.5% and 2.0% GDP growth in Years 2 and 3, respectively. Expenditures are assumed to grow at a 2.0% rate of inflation. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	5/9/17
AAA	Upgraded	Stable	10/6/16
AA+	Revised	Stable	4/30/10
AA	Assigned	Stable	9/28/04

Rating History (BANs)

Rating	Action	Outlook/ Watch	Date
F1+	Assigned	—	5/9/17

Related Research

Fitch Rates Bristol CT's $21MM GO Bonds 'AAA' and $3.4MM BANs 'F1+'; Outlook Stable (May 2017)

Related Criteria

U.S. Tax-Supported Rating Criteria (April 2016)

Rating U.S. Public Finance Short-Term Debt (February 2017)

Rating Sensitivities

Revenue Performance: Fitch expects future tax base growth will be in line with stated expectations and that the city will manage future potential reductions in state aid while maintaining similar levels of operating and financial flexibility.

Credit Profile

Wealth levels exceed national levels but are below those of the wealthy state. Top 10 taxpayers within the city comprise nearly 16% of taxable assessed value, with ESPN having the largest share by far at nearly 6%. ESPN has expanded its facility considerably in recent years and is the largest employer in the city, with approximately 4,200 employees. While ESPN has made reductions in staff in recent years, it still remains a leader in national sports broadcasting, and Fitch expects the cable sports network to remain a prominent presence in the city. The rest of the top 10 taxpayers are spread amongst a major developer, retail, utilities and a theme park. The city also benefits from recent investments in manufacturing and the upcoming construction of a planned 60,000-square-foot downtown medical facility by Bristol Hospital, currently the city's second largest employer.

Revenue Framework

The city's primary source of revenues is property taxes, which account for roughly 70% of the general fund operating budget and supports stability in operating revenues. State aid, primarily associated with education, is the next largest source of revenue and is subject to more variability.

General fund revenue growth has exceeded the rate of inflation and was in line with U.S. GDP levels based on the 10-year compound annual growth rate from fiscal years 2006 through 2016. Such growth was achieved through a combination of tax rate increases and moderate tax base growth. The city tax base experienced 52% growth based on the Oct. 1, 2007 revaluation and then experienced an 11% decline based on the Oct. 1, 2012 revaluation. Fitch expects natural growth prospects for revenues to lag GDP but slightly exceed inflation as a result of new economic development plans in place, recent growth in building permit values and expected moderate increases in tax base valuations from the upcoming five-year tax base revaluation to be effective Oct. 1, 2017.

The state governor's preliminary budget proposal reflects a reduction in state aid to local governments throughout the state, but the actual levels of decline are still to be determined when the final budget is expected to be approved next month. Fitch expects cuts in state assistance for the city and its schools to be manageable due to the city's strong financial credit profile, which includes solid revenue and expenditure flexibility.

The strength of the city's revenue framework lies in its revenue-raising authority, as the city has independent legal ability to raise taxes without limit under Connecticut law.

Expenditure Framework

Education and public safety represent the largest shares of expenditures, at roughly 57% and 13% of the fiscal 2017 budget, respectively. Steady population trends have allowed the city to keep up with service demands without considerable budgetary pressures.

Fitch expects the pace of natural spending growth to be in line with revenue growth, reflecting historical trends and ongoing revenue expectations. Debt service levels are not expected to change materially based on issuance of the series 2017 bonds, future debt plans and principal amortization of 70% over 10 years. Pension contributions have historically been very low due to the strong funded levels of the city's plans, but contributions for the city's general employees' plan will increase moderately due to a gradual reduction in the investment rate of return from 7.5% to 7.0%, spread evenly over five years beginning in fiscal 2018.

Carrying costs for annual debt service, pension contributions and OPEB represent a low 5% of fiscal 2016 total governmental spending. Fitch expects such levels to remain low based on debt plans, a moderate rise in future pension contributions and manageable OPEB obligations.

The city has the ability to reduce expenses tied to its services, namely through the reduction of staff or imposition of furloughs, if necessary. A reduction in fire department staffing levels is limited due to minimum manning requirements. Union contracts are subject to arbitration, but a decision may be rejected by a two-thirds vote of the city council. A new arbitration panel would then be appointed by the state, and subsequent decisions are required to take into consideration the financial capability of the city.

Similar to most Connecticut municipalities, education expenses make up the majority of the budget for the city. A minimum budgeting rule restricts the city's ability to cut education funding from the year prior, somewhat restricting budgetary flexibility in this area.

Long-Term Liability Burden

Bristol's long-term liability burden is very low at 3% of personal income and is made up almost entirely of the city's rapidly amortizing debt. Pensions do not present a pressure, as the city maintains three pension plans for general employees, police and fire with estimated asset-to-liability ratios of 90%, 155% and 234%, respectively, as of June 30, 2016 in accordance with GASB 67 and based on a Fitch-adjusted 7% investment rate of return.

The city's unfunded OPEB liability was $56 million as of June 30, 2016, representing a moderate 2% of personal income. Management has been making contributions annually in excess of pay-as-you-go since 2008 and has accumulated assets in the city's OPEB trust fund totaling approximately $6 million as of June 30, 2016.

Operating Performance

Fitch expects the city will continue to maintain financial flexibility throughout an economic cycle given its historically stable revenue performance, superior level of inherent budget flexibility on the basis of its unlimited taxing authority and ample spending flexibility. For details, see Scenario Analysis, page 2.

The city has managed its operations prudently through a combination of moderate annual tax levy increases and conservative budgeting practices resulting in surplus net operating results for the last seven fiscal years. Management took actions to control costs during the downturn and maintained a steady level of general fund reserves within policy levels. Excess surplus over and above the 15% policy level is typically used to support capital, fleet and maintenance spending through the city's capital fund. The unrestricted fund balance at fiscal year-end 2016 was $36 million, or a solid 18% of spending.

Fiscal 2016 general fund operations were positive, and the general fund had a net operating surplus of $4.4 million, or roughly 2% of spending. The year-end results incorporate additional transfers out of $2.5 million for economic development, capital investment and prefunding OPEB obligations in addition to amounts included in the original budget for such purposes. The fiscal 2017 general fund budget totaled $189 million and is up about 2% from the prior year's original budget. Management is projecting positive results again based on operations to date.

The fiscal 2018 budget is in its preliminary stages, but management expects a moderate increase in the tax rate and conservative assumptions around decreases in potential state funding. No use of unassigned general fund balance is planned.

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