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Ratings

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Summary:

Bloomfield, Connecticut; General Obligation; Note

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Credit Profile		
US$12.0 mil GO bnds ser 2020 due 01/15/2040		
Long Term Rating	AA+/Stable	New
US$9.73 mil BANs ser 2020 dtd 01/28/2020 due 01/27/2021		
Short Term Rating	SP-1+	New

Rationale

S&P Global Ratings assigned its 'AA+' long-term rating to Bloomfield, Conn.'s 2020 general obligation (GO) bonds. At the same time, we assigned our 'SP-1+' short-term rating to the town's 2020 GO bond anticipation notes (BANs), maturing Jan. 27, 2021. Additionally, we affirmed our 'AA+' long-term rating and 'SP-1+' short-term rating on the town's long- and short-term GO debt outstanding, respectively. The outlook, where applicable, is stable.

Bloomfield's full faith and credit pledge, payable from the levy of an unlimited ad valorem tax on all taxable property in the town secures the series 2020 bonds and notes and outstanding debt.

The short-term rating on the notes reflects our criteria for evaluating and rating BANs. In our view, Bloomfield maintains a very strong capacity to pay principal and interest when the notes come due. We view the town's market risk profile as low because it has strong legal authority to issue long-term debt to take out the notes, although no additional authority is required, and it is a frequent debt issuer that regularly provides ongoing disclosure to market participants.

We understand that officials intend to use proceeds from the 2020 GO bonds (approximately $12 million) to retire outstanding GO BANs and provide new money for the town's human services facility and public works complex renovation and expansion projects. We further understand that the BANs ($7 million) will provide funding for the public works project.

Bloomfield's management is active in economic planning and development and conservative in budgeting and financial management. Consequently, the town has produced consistently positive operating results and recently had its largest assessed value (AV) growth in the past ten years. While the state's long-term economic and financial challenges remain a question mark, along with a growing debt burden, we believe the town's management team will address these challenges to continue producing at least balanced financial results and maintaining very strong reserves.

The long-term rating further reflects our view of the following factors for the town:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA)

methodology;

- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental fund level in fiscal 2019;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2019 of 24% of operating expenditures;
- Very strong liquidity, with total government available cash at 42.2% of total governmental fund expenditures and 8.0x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges at 5.3% of expenditures and net direct debt that is 62.0% of total governmental fund revenue; and
- Strong institutional framework score.

Very strong economy

We consider Bloomfield's economy very strong. The town, with an estimated population of 21,301, is in Hartford County 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 128% of the national level and per capita market value of $144,533. Overall, market value grew by 2.0% over the past year to $3.1 billion in 2020. The county unemployment rate was 4.2% in 2018.

Bloomfield is a residential community with a sizable commercial and industrial component. Management is active in economic development and planning, and works to attract development through tax abatements and continually evaluating master planning and zoning. We believe Bloomfield's location near Hartford and Bradley Airport is advantageous, leading to investment in both residential and non-residential development, in addition to providing a broad range of employment opportunities.

Following four years of approximately flat assessed value (AV) average growth, the town had consecutive years of AV growth totaling 4.7% in fiscal 2019 and 2.0% in fiscal 2020. Management reports that building permit revenue in the first six months of fiscal 2020 has nearly surpassed the prior year's $1.2 million total, suggesting that the town's tax base is likely to continue growing. Major projects include an expansion at Cigna Corp., the town's leading employer. Cigna and the town entered into a new tax abatement agreement, which should result in a $90 million investment over ten years. Additional development includes a solar project, expansion at an aerospace supplier, and continued residential development.

We believe that the town's location, along with management's intentional economic planning, will lead to continued incremental tax base growth. We expect the town's underlying wealth and income metrics to remain stable, and with access to the broad and diverse Hartford MSA, the economy will remain very strong.

Strong management

We view the town's management as strong, with good financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

In our opinion, the town is generally conservative when budgeting for expenditures. It uses a variation of zero-based budgeting that focuses attention on critical needs annually and performs historical trend analysis when developing the budget of both revenues and expenditures. Bloomfield's five-year capital improvement plan (CIP), which management reviews annually, identifies funding sources for the current fiscal year. We understand that the town is working to develop a more robust CIP and capital planning process.

Management also regularly monitors the budget and produces in-depth reports for the town council monthly. Investments adhere to state guidelines, and management reports the results to the council quarterly. The town's formal fund balance policy formalizes procedures, uses of fund balance, reasons for the policy, and a mandatory fund balance minimum of 15% of expenditures. The adopted debt management policy sets guidelines on the types of debt the town may issue, along with limiting debt service to 8%-10% of the budget and requiring principal repayment of at least 50% in ten years.

Strong budgetary performance

Bloomfield's budgetary performance is strong, in our opinion. The town had slight surplus operating results in the general fund of 1.2% of expenditures, and surplus results across all governmental funds of 2.5% in fiscal 2019. General fund operating results of the town have been stable over the last three years, with results of 1.8% in 2018 and 1.4% in 2017.

For analytical consistency, we adjusted budgetary performance to account for recurring transfers out of the general fund into the capital projects fund and nonmajor funds, as well as for the expenditure of bond proceeds.

We believe the town's positive operating results over the past several years--in an at-times uncertain intergovernmental aid environment--are chiefly due to management's conservative budgeting practices, particularly its careful budget planning and in-year performance monitoring. As demonstrated through its fiscal 2018 supplemental budgetary controls and hiring freeze, management makes in-year budgetary adjustments to ensure fiscal balance. We expect these types of actions will continue, as needed, to ensure continued strong budgetary performance.

The fiscal 2019 year-end operating result is also a product of careful budgeting. While revenues and expenditures generally outperformed the budget, the school department required a $975,000 midyear supplemental appropriation due to unanticipated special education costs. Due to careful budgeting of revenues and in-year monitoring and control of expenditures, the town was able to make this supplemental appropriation, along with additional transfers to the other postemployment benefit (OPEB) trust fund and future capital projects, while still adding to reserves at year-end. In 2019, local property taxes were about 86% of general fund audited revenues, while intergovernmental was approximately 9.8% and charges for services was 3.2%. Despite state aid coming in lower than expected in 2019, we believe the town's revenue base is inherently stable and predictable.

The fiscal 2020 budget includes increases in fixed costs, medical costs, and education, but we believe management has incorporated rising expenditures into the budget and will ultimately produce a year-end result similar to prior years. We understand that the school department adjusted its budgeting practices following the required 2019 supplemental appropriation to lessen the likelihood of continued required supplemental support. At this time, management does not anticipate the school department requiring additional funds. Management reports that revenues and expenditures are tracking on budget. Given the town's track record of making adjustments to outperform the budget, we expect that financial performance will remain strong.

Very strong budgetary flexibility

Bloomfield's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2019 of 24% of operating expenditures, or $22.7 million.

The town formally adopted its long-standing policy of maintaining a minimum fund balance of 15% of expenditures in early 2017. It budgeted for a fund drawdown of approximately $1.4 million in fiscal 2020, which is consistent with prior budgets. However, the town has historically produced approximately balanced or better results, resulting in a trend of increasing fund balance. Due to conservative budgeting and forecasting, we expect reserves to remain stable and provide very strong budgetary flexibility over the next two fiscal years.

Very strong liquidity

In our opinion, Bloomfield's liquidity is very strong, with total government available cash at 42.2% of total governmental fund expenditures and 8.0x governmental debt service in 2019. In our view, the town has strong access to external liquidity if necessary.

We believe Bloomfield maintains strong market access, as it regularly issues GO bonds. The town has no direct-purchase or variable-rate debt, and as it adheres to state law, which limits investments to money market funds, CDs, and treasuries, we do not consider its investments aggressive. We do not expect any significant deterioration of cash balances and therefore believe the liquidity position will remain very strong.

Adequate debt and contingent liability profile

In our view, Bloomfield's debt and contingent liability profile is adequate. Total governmental fund debt service is 5.3% of total governmental fund expenditures, and net direct debt is 62.0% of total governmental fund revenue.

Following this issuance, the town has $68.6 million in GO debt, including capital leases. It does not have immediate new-money debt plans. Management is exploring building a new library. However, as the library project has not yet gone to referendum, it is unclear how much, if any, debt could be issued for this project within the next several years. Currently, we expect Bloomfield's debt profile to remain adequate over the next two fiscal years.

Bloomfield's combined required pension and actual OPEB contributions totaled 8.4% of total governmental fund expenditures in 2019. Of that amount, 4.8% represented required contributions to pension obligations, and 3.6% represented OPEB payments. The town made its full annual required pension contribution in 2019.

Pension and other postemployment benefits

- We do not believe pension and OPEB costs or liabilities present a credit pressure at this time despite the low funded ratio of the Police Plan, due to generally sound actuarial assumptions.
- The town adopted a policy to fully fund the OPEB required contribution over a ten-year period, beginning in 2014. The OPEB trust is 10.7% funded, with a net OPEB liability of $82.5 million.

Bloomfield participates in the following plans as of June 30, 2019:

- The Town of Bloomfield Retirement Income Plan (Retirement Plan), 73.8% funded, $18.7 million net pension liability (NPL)
- The Town of Bloomfield Police Retirement Income Plan (Police Plan), 59.7% funded, $18.5 million NPL

Bloomfield's combined required pension and actual OPEB contributions totaled 8.4% of total governmental fund expenditures in 2019. Of that amount, 4.8% represented required contributions to pension obligations, and 3.6% represented OPEB payments. The town made its full annual required pension contribution in 2019. Its total contribution increased nearly a full percentage point over the last year, due primarily to the OPEB contribution phase-in.

The Retirement Plan closed to new hires in 2003, while the Police Plan closed in 2002. The town incrementally lowered the discount rate over the past several years. Currently, both plans use a 6.75% discount rate, which, given the closed status of the plans, may be somewhat aggressive. In 2019, both plans exceed our static funding and minimum funding progress calculations, indicating the plans made progress in funding the unfunded liability. We believe the 25-year closed amortization period is somewhat long, but the payroll growth assumption of 3.5% is reasonable. The town has historically fully funded the required contribution and we expect it will continue to do so. While the town's total pension and OPEB carrying charge as a percentage of expenditures has grown over the past year, we believe costs remain manageable; however, should costs significantly increase, we could revise our view of the town's pension and OPEB profile.

Strong institutional framework

The institutional framework score for Connecticut municipalities is strong.

Outlook

The stable outlook reflects our view of Bloomfield's very strong budgetary flexibility, very strong liquidity, and strong budgetary performance. We do not expect to change our rating within the two-year outlook period.

Upside scenario

Should significant economic growth lead to underlying wealth and income metrics rising to levels commensurate with those of higher rated peers, we could raise the rating.

Downside scenario

If budgetary performance were to deteriorate, leading to a reduction of reserves to a level no longer comparable to those of peers at this rating level, we could lower the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019

Ratings Detail (As Of January 9, 2020)		
Bloomfield GO		
Long Term Rating	AA+/Stable	Affirmed

Ratings Detail (As Of January 9, 2020) (cont.)		
Bloomfield Twn BANs		
Short Term Rating	SP-1+	Affirmed