

RatingsDirect®

Summary:

Bristol, Connecticut; General Obligation

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Credit Profile

US\$7.67 mil GO rfdg bnds iss ser 2015 due 07/15/2025

Long Term Rating AA+/Stable New

Bristol GO

Long Term Rating AA+/Stable Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Bristol, Conn.'s 2015 general obligation (GO) refunding bonds. In addition, we affirmed our 'AA+' long-term rating on the city's previously issued GO bonds. The outlook is stable.

The issue is secured by Bristol's full faith and credit, with debt service payable from ad valorem taxes levied without limitation on all taxable property within the city. The city is issuing the \$7.67 million in long term debt to refund the callable portions of its 2005 and 2009 GO bonds.

The rating reflects the city'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 balanced operating results in the general fund and at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance that we expect will improve in the near term from its fiscal 2014 level of 13.9% of operating expenditures;
- Very strong liquidity, with total government available cash of 37.3% of total governmental fund expenditures and 9.1x governmental debt service, and access to external liquidity we consider strong;
- Very strong debt and contingent liability position, with debt service carrying charges of 4.1% of expenditures, net direct debt that is 27.9% of total governmental fund revenue, low overall net debt at less than 3% of market value, and rapid amortization with 81.1% of debt scheduled to be retired in 10 years, but significant medium-term debt plans; and
- Very strong institutional framework score.

Strong economy

We consider Bristol's economy strong. The city, with an estimated population of 60,407, is located in Hartford County in the Hartford-West Hartford-East Hartford MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 106.2% of the national level and per capita market value of \$100,265. Overall, the city's market value was stable over the past year at \$6.1 billion for the 2016 tax year. The county unemployment rate was 6.9% in 2014.

Bristol is located central Connecticut, 16 miles west of Hartford and 25 miles north of North Haven. 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 4.6% of the net taxable grand list (assessed value in Connecticut). The city's \$4.2 billion grand list has remained stable since a scheduled revaluation in 2012. The grand list is relatively diversified, with 52% coming from residential property and 27% from industrial and commercial property.

City officials indicate that ESPN's \$500 million 2004 digital broadcast center will add approximately \$200 million to the ratable base for the upcoming budget year as its property tax abatement period ends. Among other recent investments, the company opened its second \$100 million digital broadcasting center in the summer of 2014, and this will increase the grand list in the coming years as its tax abatements expire. Other significant developments include the sale of the two largest lots at the recently established Southeast Bristol Industrial Park. With the recent activity, four of the 51-acre park's 12 lots will be occupied, including the largest two. Other significant developments include renovations at the city's Hilton DoubleTree Hotel and continued residential and commercial development at a 17-acre site in downtown Bristol.

Slightly offsetting these developments is the closing of the city's second-largest taxpayer, Covanta, which operates a trash-to-energy facility serving Bristol and 13 other local communities. The taxpayer accounted for 1.08% of the grand list in 2014. Officials note that the city will take over the land on which the facility resides and incur no substantial liability as a result of the closing.

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 utilized and intergovernmental revenue is included only when amounts have been confirmed), monthly budgetary performance reporting, the maintenance of a comprehensive 10-year capital improvement plan, and formally adopted debt management, investment, and reserve policies.

Strong budgetary performance

Bristol's budgetary performance is strong in our opinion. The city had balanced operating results of 0.4% in the general fund and 0.3% across all governmental funds in fiscal 2014. General fund operating results of the city have been stable over the last three years, with results of 0.4% in 2013 and 2012.

Our analysis of budgetary performance includes adjustments to account for regularly occurring transfers from the general fund and nonmajor governmental funds to the internal services fund for employee health benefits and other labor-related insurance charges. General fund expenditures are also adjusted for regular transfers to the debt service fund. The city has largely maintained positive operating results through the use of conservative budgeting practices, strategic fund balance planning, and positive revenue variances. The city's 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. Unaudited results for 2015 indicate a general fund surplus of \$5.2 million prior to transfers.

The two largest revenue sources in the 2016 general fund budget are property taxes at 71% and intergovernmental revenue at 26%. The use of fund balance to balance the budget declined to a mere \$195,000, and officials plan to eliminate the use of fund balance starting in the 2017 budget. Budgeted expenditures are flat primarily as a result of the restructuring of health benefits, which included higher employee contributions. The city provides public education services, which account for the largest share of the budget at 57.7% of expenditures and recurring transfers. The board of education's 2016 appropriations were flat relative to the 2015 budget without cutting any teaching staff, highlighting the city's effective cost control measures.

Very strong budgetary flexibility

Bristol's budgetary flexibility is very strong, in our view, with an available fund balance that we expect will improve in the near term from its fiscal 2014 level of 13.9%, or \$27.1 million. Over the past three years, the total available fund balance has remained at a consistent level overall, totaling 14.0% of expenditures in 2013 and 13.8% in 2012.

Officials report that \$1 million of the 2015 unaudited general fund surplus will be transferred to the unassigned fund balance, which we view as increasing the available fund balance to at least 16.5% of 2015 expenditures. We view the city's strategically allocated excess surpluses in its equipment and building sinking fund and capital fund as credit strengths given their ability to offset pressures from the current funding of some capital expenses. As we generally consider available general fund balances (assigned and unassigned) above 15% of expenditures very strong, the city's ability to achieve this will be central to maintaining its very strong budgetary flexibility.

Very strong liquidity

In our opinion, Bristol's liquidity is very strong, with total government available cash of 37.3% of total governmental fund expenditures and 9.1x governmental debt service in 2014. In our view, the city has strong access to external liquidity if necessary.

Bristol has demonstrated strong market access through a number of GO and bond anticipation note 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, the city is not exposed to variable-rate debt 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 4.1% of total governmental fund expenditures, and net direct debt is 27.9% of total governmental fund revenue. Overall net debt is low at 1.0% of market value and approximately 81.1% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors. Negatively affecting our view of the city's debt profile are its significant medium-term debt plans.

Officials anticipate issuing approximately \$50 million to \$60 million in additional debt over the next several years to fund various capital projects, including the capital expenditures for educational facilities.

Bristol's combined pension and other postemployment benefits (OPEB) contributions totaled 3% of total governmental

fund expenditures in 2014. Of that amount, 0% represented contributions to pension obligations and 100% represented OPEB payments. The city maintains three single-employer pension plans, each of which is more than 100% funded. The combined pension funded ratio in 2013 was 160.2%

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 that of higher-rated municipalities in the region despite the loss of its second-largest taxpayer, and should it continue to realize balanced-to-positive operating results along with a very strong budgetary flexibility position, 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 Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Connecticut Local Governments

Ratings Detail (As Of November 3, 2015)		
Bristol GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Bristol GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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