S&P Global Ratings

RatingsDirect®

Summary:

Bristol, Connecticut; General Obligation

Primary Credit Analyst:
Kaiti Vartholomaios, New York + 1(212) 438 0866; kaiti.vartholomaios@spglobal.com

Secondary Contact:
Christian Richards, Washington D.C. + 1 (617) 530 8325; christian.richards@spglobal.com

Table Of Contents

Summary:

Bristol, Connecticut; General Obligation

Credit Profile		
US$25.5 mil GO bnds ser 2022 due 03/15/2042		
Long Term Rating	AA+/Stable	New
Bristol GO		
Long Term Rating	AA+/Stable	Affirmed
Bristol GO (MBIA) (National)		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rating Action

S&P Global Ratings assigned its 'AA+' rating to Bristol, Conn.'s series 2022 general obligation (GO) bonds and affirmed its 'AA+' rating on the city's existing GO debt. The outlook is stable.

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. We understand officials intend to use bond proceeds to fund various capital improvement projects.

Credit overview

The rating reflects our opinion of the city's strong and growing local economy with access to the Hartford metropolitan statistical area (MSA). In our view, Bristol's historically balanced financial performance; maintenance of strong reserves, which averaged at just over 16% during the past three fiscal years, in line with its policy; and well-funded pension plan also support the rating.

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

- An expanding tax base with access to Hartford's labor market;
- Good management, with a very strong institutional framework score;
- Consistent break-even performance with very strong fund balance; and
- Manageable debt and limited fixed costs.

Environmental, social, and governance

We evaluated Bristol's environmental, social, and governance (ESG) factors relative to the city's economy, financial measures, management, and debt and long-term liability profile, and view its risks to be in line with those of the sector.

Stable Outlook

Upside scenario

If the economic profile were to continue to strengthen compared to higher-rated municipalities and management were to continue to produce balanced-to-positive operating results and maintain very strong budgetary flexibility, coupled with the adoption of a stronger long-term financial plan, we could raise the rating.

Downside scenario

If the city were to experience consecutive operating deficits, resulting in sustained weakened budgetary performance or flexibility with no plan to restore, we could lower the rating.

Credit Opinion

Growing tax base near Hartford MSA

Bristol is 18 miles from Hartford, which provides access to its labor markets. It is home to ESPN, the city's largest employer (with over 4,000 employees), as well as its largest taxpayer, accounting for 6.32% of the net taxable grand list, which is Connecticut's assessed value (AV). Other leading employers include the city itself (1721), Bristol Health (1160), Amazon (350), and Faneuil Inc. (200).

AV increased by 4% in 2021, an outlier compared to the average of 1% annual growth over the last ten years. Management attributes this growth to the economic development initiatives designed to revitalize the downtown area. Ten parcels in the area are currently under contract, which include the construction of a new 18,000-square-foot mixed-use building, a 35,000-square-foot medical facility, three buildings with 90 apartment units, a 19,000-square-foot retail/commercial space, and a community events center. In addition, a new 58,000-square-foot assisted-living facility and a 32-unit 44,000-square-foot apartment complex built by Carrier of Main Street are also under construction. These downtown projects are expected to add up to $75 million to the tax base over time. Outside the downtown, an existing DoubleTree by Hilton hotel is expanding to create a 90,000-square-foot hotel and conference center, an eight-acre farm is being converted for commercial use, and two companies are setting up headquarters in the city's southeastern business park. These projects are expected to also add up to $75 million to the tax base. Given the number of projects underway and further development in the pipeline, we expect the city's economy will likely remain strong.

Formalized governance supports the city's long-term planning, with some but not all practices in place

The city uses three-to-five years of historical trends to produce its annual budgets, and reports budget-to-actual performance on a monthly basis. It has started projecting total expenditures for the next five years on an informal basis, based on the state's spending cap whereby the adjusted adopted budget expenditures cannot exceed 2.5% of the prior year. The total expenditure figure includes financial projections for debt service and its potential effect on future budgets and mill rates, but it does not include any other expenditure forecasts. The city also maintains a formal 10-year capital improvement plan it updates annually that identifies funding sources. All planning is discussed annually with Bristol's 10-year capital improvement and strategic planning committee.

In addition, the city has a formal debt-management policy; an investment policy with monthly holdings and earnings reports to the board; and a reserve policy that limits unassigned fund balance to 12%-15% of expenditures and total fund balance to 15%-20%, which it has adhered to historically.

Stable financial performance and reserve levels

We adjusted performance to account for one-time capital expenditures and recurring transfers. With regard to Bristol's liquidity, we excluded restricted cash in the nonmajor projects fund, the capital projects fund, and in special education grants. Property taxes generate 66% of general fund revenue, followed by intergovernmental revenue at 30%, including on-behalf state payments for teacher retirement contributions. Collections remained strong through the pandemic, averaging 98.5% over the last ten years.

Bristol has generated break-even results over the last three years, which management attributes to conservative budgeting practices and stable revenue primarily derived from property taxes. For fiscal 2022, there were no significant revenue or expenditure deviations from prior years, and a similar trend is expected for fiscal 2023 as the city starts preparing the budget. The mill rate has been flat with no plans to increase it in the near term, and the city has no plans to spend down reserves, which have been consistently between 16% and 17% of revenues over the last few years, in line with its policy. In addition, it has received a $28 million American Rescue Plan Act funding which it intends to allocate to non-profits, local businesses, and city projects through competitive grants to support the community over the long-term growth. Overall, given the expected tax base growth, positive track record, and stable operations, we expect its financial profile will remain strong.

Bristol's GO and bond anticipation note issuance during the past 10 years demonstrates strong market access. The city does not engage in aggressive investments that could lead to significant liquidity volatility. In addition, it does not have any variable-rate or privately placed debt exposure that could result in undue contingent liabilities through acceleration events or interest-rate risk.

Manageable debt costs despite ongoing capital needs

With this issuance, the city will have about $124 million of total direct debt. It has a remaining $72.8 million in authorized but unissued debt which will be issued over the next few years. Of this, it expects to receive $37 million in state grants and intends to keep debt service below 5.5% of expenditures. As a result, we do not expect these debt plans to have a material effect on its debt profile.

Well-funded pensions with embedded policies

- We do not view Bristol's retirement obligations as a significant budgetary pressure due to its overfunded pension plans.

As of June 30, 2020, Bristol participated in the following pension plans:

- Bristol General Retirement System: 156.3% funded, $290.7 million net pension asset.
- State Teacher Retirement System: 60.8% funded, the state contributes to the plan on behalf of the city.
- Other postemployment benefits: 23.42% funded, $62.8 million net liability.

Bristol previously maintained three separate pension plans: the firefighters' and police officers' benefit funds and the Bristol Retirement Fund. However, effective June 29, 2018, it consolidated all three plans, which were all extremely well-funded, into the Bristol General Retirement System. The city's adopted formal policy calls for maintaining pension plan funding at no less than 125%.

Strong institutional framework

The institutional framework score for Connecticut municipalities is strong.

Bristol, CT -- Key Credit Metrics

	Most recent	Historical information		
		2021	2020	2019
Strong economy				
Projected per capita EBI % of U.S.	98			
Market value per capita ($)	97,142			
Population		59,947	59,393	59,749
County unemployment rate(%)			8.1	
Market value ($000)	5,823,377	5,716,669	5,639,856	
Ten largest taxpayers % of taxable value	13.9			
Strong budgetary performance				
Operating fund result % of expenditures		0.8	0.1	1.0
Total governmental fund result % of expenditures		3.2	3.3	2.3
Very strong budgetary flexibility				
Available reserves % of operating expenditures		17.2	16.4	17.2
Total available reserves ($000)		39,774	38,024	36,900
Very strong liquidity				
Total government cash % of governmental fund expenditures		30	33	31
Total government cash % of governmental fund debt service		686	739	709
Strong management				
Financial Management Assessment	Good			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		4.3	4.5	4.3
Net direct debt % of governmental fund revenue	43			
Overall net debt % of market value	2.1			
Direct debt 10-year amortization (%)	61			
Required pension contribution % of governmental fund expenditures		0.0		
OPEB actual contribution % of governmental fund expenditures		2.8		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022