

RatingsDirect®

Summary:

Bristol, Connecticut; General Obligation

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Credit Profile

US\$30.0 mil GO bnds ser 2023 due 10/01/2042

Long Term Rating AA+/Stable New

Bristol GO

Long Term Rating AA+/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to Bristol, Conn.'s \$30 million issue of 2023 general obligation (GO) bonds.
- We also affirmed our 'AA+' rating on the city's outstanding GO debt.
- The outlook is stable.

Security

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

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 4.47% of the net taxable grand list, which is Connecticut's assessed value (AV). Other leading employers include the city itself (1710), and Bristol Health (1100). AV increased by 28.2% in 2022, followed by a 4% rise in 2021, compared to the average of 1% annual growth over the prior ten years. Despite its built-out status, management attributes this growth to growing demand for residential properties and ongoing development downtown, including a 40,000-square-foot health facility, several mixed-use developments, and building conversions. In other parts of the city, projects include a 90,000-square-foot hotel and conference center, an eight-acre farm which will be converted for commercial use (including a medical office building), and two new projects in the business park. Given the number of projects underway and further development in the pipeline, we expect the city's economy will likely remain strong.

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.

Bristol continues to generate break-even results through fiscal 2022, which has enabled the city to maintain available fund balance at around 16%, in line with its policy. Management attributes the results to conservative budgeting

practices and stable revenue primarily derived from property taxes. For fiscal 2023, officials report that the city is tracking positively compared to the budget, in part due to cost savings from a mild winter thus far and better-than-anticipated revenues, particularly for motor vehicle tax and investment earnings. It is currently preparing its 2024 budget, which will incorporate cost increases reflecting inflationary pressures and salary adjustments, as well as building permit and conveyance fees. 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. It has established a taskforce for its \$28 million American Rescue Plan Act funding, which it intends to allocate by 2024 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.

Our view of the city's financial management practices, which include regular budget monitoring, long-term capital improvement planning, and formalized policies for reserves, debt management and investments, is unchanged since our last report on the city (see our summary analysis on Bristol, published March 9, 2022, on RatingsDirect). We note that the city incorporated a long-term financial plan with conservative assumptions in its 2023 strategic plan, which if updated annually, could improve our view of the city's financial management assessment.

With this issuance, the city will have about \$149.5 million of total direct debt. It intends to issue approximately \$81.337 million over the next few years in line with its capital improvement program to accommodate its growth needs; we have incorporated this into our analysis and do not expect the debt profile to change materially as a result.

We do not view Bristol's retirement obligations as a significant budgetary pressure due to its overfunded pension plans. The city 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%. It also participates in the State Teacher Retirement System, to which the state contributes on behalf of the state, and has an other postemployment benefit liability totaling \$64.4 million.

The rating further reflects our view of Bristol's:

- 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 consider Bristol's environmental, social, and governance (ESG) risks to be neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the city's balanced financial performance will continue and the city will maintain strong reserves in accordance to its policies.

Downside scenario

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

Upside scenario

If the economy indicators significantly improve and balanced operating results were maintained along with very strong flexibility, we could raise the rating.

Bristol, Connecticut--Key Credit Metrics

	Most recent	Historical information		
		2022	2021	2020
Strong economy				
Projected per capita EBI % of U.S.	98			
Market value per capita (\$)	131,241			
Population		59,177	59,393	
County unemployment rate(%)		6.5		
Market value (\$000)	7,766,430	6,058,019	5,823,377	
Ten largest taxpayers % of taxable value	10.1			
Strong budgetary performance				
Operating fund result % of expenditures		(0.8)	0.8	0.1
Total governmental fund result % of expenditures		0.8	3.2	3.3
Very strong budgetary flexibility				
Available reserves % of operating expenditures		16.7	17.2	16.4
Total available reserves (\$000)		39,988	39,774	38,024
Very strong liquidity				
Total government cash % of governmental fund expenditures		27	30	33
Total government cash % of governmental fund debt service		551	686	739
Strong management				
Financial Management Assessment	Good			
Strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		4.9	4.3	4.5
Net direct debt % of governmental fund revenue	51			
Overall net debt % of market value	1.9			
Direct debt 10-year amortization (%)	44			
Required pension contribution % of governmental fund expenditures		0.0		
OPEB actual contribution % of governmental fund expenditures		2.7		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

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

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