

New Issue: **Bristol (City of) CT**

MOODY'S ASSIGNS Aa3 RATING TO BRISTOL'S (CT) \$8.9 MILLION G.O. BONDS, ISSUE OF 2009

Aa3 RATING AFFECTS \$60.6 MILLION IN POST-SALE PARITY DEBT OUTSTANDING

Municipality
CT

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Issue of 2009	Aa3
Sale Amount	\$8,900,000
Expected Sale Date	02/04/09
Rating Description	General Obligation

Opinion

NEW YORK, Jan 30, 2009 -- Moody's Investors Service has assigned a Aa3 rating to the City of Bristol's (CT) \$8.9 million General Obligation Bonds, Issue of 2009. Concurrently, Moody's affirms the outstanding Aa3 rating affecting approximately \$51.7 million in outstanding general obligation debt. The bonds are secured by the city's general obligation unlimited tax pledge. The current issue will finance various municipal infrastructure projects. The Aa3 rating reflects the city's sizable and diverse equalized net grand list, sound financial position with healthy reserve levels, and manageable debt profile.

SOUND FINANCIAL OPERATIONS EXPECTED TO FACE CYCLICAL PRESSURES OVER THE NEAR TERM

Moody's anticipates Bristol's overall financial position to remain healthy over the near term given its track record of strong fiscal management, conservative budgeting practices and adherence to prudent financial policies. However, the city may be challenged to maintain structural balance over the near term given declining local receipts and likely state aid reductions. Over the past four fiscal years the city has maintained strong reserve levels with total General Fund balance increasing to a solid \$29.1 million (14.1% of total General Fund revenues). Fiscal 2008 ended with a \$1.3 million operating surplus as the city fully replenished its \$1.2 million reserve appropriation. The positive results were derived, in large part, from \$3.5 million of expenditure savings and greater-than-budgeted delinquent property tax revenues (\$509,000), state aid (\$887,000), and economically sensitive conveyance tax receipts (\$409,000). At year end the city's Undesignated General Fund balance totaled \$27.1 million or 13.2% of General Fund revenues. Of note, fiscal 2008 revenues include a one-time, on behalf, teachers' pension payment related to the issuance of pension obligation bonds at the state level. When adjusting revenues for this \$37.7 million payment the city's level of undesignated reserves increases to a healthy 16.0% of revenues, in excess of the city's formal fund balance policy which calls for the maintenance of the Undesignated General Fund balance at no less than 10% of budget.

The fiscal 2009 budget, a 4.2% increase over the prior year's budget is balanced primarily with additional property taxes (62% revenues) and state aid (33% of revenues). The budget also includes a modest \$1.1 million General Fund balance appropriation. The budgeted use of reserves continues to decline, down from over \$3.0 million several years ago, with plans to cut the current appropriation in half over the next three to five years. Thus far into fiscal 2009 the city reports relatively stable operations and is projecting a modest year end surplus, despite weakening revenues, due to tight expenditure controls. The city has started its fiscal 2010 budget process and is formulating a fiscal plan which conservatively reflects an anticipated state aid reduction, a lower pay-as-you-go capital allocation, flat expenditure growth, and a further reduced appropriation of fund balance. Future rating reviews will incorporate the city's ability to maintain financial flexibility with reserves growing consistently with budgetary expansion through structurally-balanced operations.

Additionally, as of July 1, 2007, each of the city's three major pension funds--city employees (146% funded), firefighters (235% funded), and police (205% funded)--are significantly over funded and are expected to remain over funded despite recent market losses. Further, a recent actuarial study identified an other post employment benefit (OPEB) liability of \$72.0 million and an annual benefit cost of \$8.2 million. The city recently initiated a committee to explore funding options including transferring a portion of its excess pension

funding to the city's OPEB trust fund.

GROWTH IN SIZABLE TAX BASE EXPECTED TO SLOW

Moody's anticipates growth in the city's \$6.6 billion equalized net grand list (ENGL) will soften over the near-term reflecting ongoing weakness in the regional housing market and recessionary economic conditions. The city, located favorably along Interstate 84, has experienced a healthy 8.8% average annual growth rate in its tax base during the last five fiscal years driven, in large, part by the appreciation of existing property. The local economy is characterized by a relatively heavy dependence on the manufacturing sector which, together with related commercial property, comprises roughly 25% of the city's grand list. Notably, almost 23% of city residents are employed in the manufacturing sector, significantly higher than the state proportion of 15%. Importantly, Bristol benefits from the stable presence of its largest taxpayer and employer, the sports broadcasting network ESPN. ESPN maintains its world headquarters within the city and provides over 3,500 jobs with plans to increase employment levels to over 4,000, given future expansion plans.

The city, with a November 2008 unemployment rate of 7.0%, in excess of the 6.4% and 6.5% state and national medians, has experienced cyclical challenges which are expected to continue over the near term attributable, in part, to the city's significant manufacturing presence. However, the possible relocation of a major insurer into Bristol as well as ongoing development at the city's industrial park may provide additional economic growth opportunities. Further, redevelopment efforts continue at a city owned 17 acre downtown parcel. The site of a former mall, this parcel represents the most challenging and potentially rewarding growth opportunity for the city over the longer term as recent redevelopment prospects have slowed given current market conditions. The per capita (PCI) and median family incomes (MFI) slightly exceed national averages at 108% and 116% of the nation, respectively, however trail the medians for similarly rated municipalities. Reflecting the large concentration of industrial and commercial taxpayers, the net equalized grand list per capita is a healthier \$108,456 or 123% of the nation.

MODEST DEBT EXPECTED TO REMAIN MANAGEABLE

Moody's expects that the city's modest overall debt burden, at 0.9% of the equalized net grand list, will remain favorable given the city's manageable debt plans and favorable rate of principal retirement (77.1% in 10 years), which is above the 74% Connecticut median. Over the near term, the city intends to move forward with the financing of two new schools. The \$100 million project is expected to receive a 73.9% state reimbursement with the bulk of project costs expected to be financed in fiscal 2013. The city's modest debt service expense (3.4% of expenditures) is anticipated to remain below average as additional debt service will be phased in to coincide with the drawdown of existing principal. The city's annual capital outlay appropriation is expected to decline in fiscal 2010, given the current fiscal outlook. However, beyond the next fiscal year, the city anticipates utilizing its Equipment and Building Sinking Fund (\$2.9 million fiscal 2008 balance) and a portion of its Internal Service Fund balance for one-time capital expenditures, lessening demands for borrowing.

KEY STATISTICS

2007 Population: 60,991 (+1.4% since 2000)

2008 Equalized Net Grand List: \$6.6 billion

Equalized Net Grand List Per Capita: \$108,456 (123% of the nation)

Per Capita Income: \$23,362 (108% of the nation, 81% of the state)

Median Family Income: \$58,259 (116% of the nation, 89% of the state)

Adjusted Overall Debt Burden: 0.9%

Payout of Principal (10 years): 77.1%

FY08 General Fund Balance: \$29.1 million (14.1% of General Fund revenues)

FY08 Undesignated General Fund Balance: \$27.1 million (13.2% of General Fund revenues)

Post-sale parity debt outstanding: \$60.6 million

RATING METHODOLOGY USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating the current issue was "Local Government General Obligation and Related Ratings," which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in

the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action was on November 28, 2006 when Bristol's (CT) long-term general obligation rating was affirmed.

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