

Summary:

Bristol, Connecticut; General Obligation

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Credit Profile		
US\$40.4 mil GO bonds ser 2011 dtd 06/15/2011 due 08/01/2030		
<i>Long Term Rating</i>	AA+/Stable	New
Bristol GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
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.		

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Bristol, Conn.'s general obligation (GO) bonds series 2011. At the same time, Standard & Poor's affirmed its 'AA+' long-term and underlying (SPUR) ratings on the town's existing GO debt. The outlook is stable.

The long-term rating reflects our opinion of the city's:

- Extremely strong and diverse property tax base, which continues to diversify away from manufacturing and into the trade and services sectors;
- Strong wealth and income measures; and
- Low debt burden, coupled with an above-average repayment schedule and a fully funded pension system.

The majority of proceeds will be used to fund reconstruction to two k-8 schools (\$25.5 million). The remainder will be used to finance various capital projects.

Bristol, with a population estimate of 61,113, is located in west-central Connecticut, about 16 miles outside of Hartford, Conn. ('A/Stable' GO debt rating). The city is largely built out, with the tax base at roughly 59% residential property and 25% commercial and industrial properties. The net taxable grand list totaled \$4.6 billion in fiscal 2011, and has been largely immune to declines due to successful tax appeals, despite the national downturn in real-estate prices. The city's last revaluation was done in 2009, and the next revaluation is scheduled for 2014. In our opinion, the city's market value per capita is an extremely strong \$110,105. Given Bristol's built-out nature, additional property tax base growth is dependent, in large part, on continued development of Bristol's downtown area and large industrial park. In our view, the tax base is very diverse with the 10 leading taxpayers accounting for 10% of the net grand list.

In our opinion, the city's local employment base is stable, although job losses within the Hartford region have pushed the city's unemployment rate higher. Traditionally, unemployment in the city has mirrored state and national averages. April 2011 estimates show an unemployment rate of 9.4%, which is trending lower than the

2010 unemployment average of 9.8%. However, the current unemployment rate is above the state average. Despite the rise in unemployment, household income measures remain good, in our opinion. The city's 2010 median household effective buying income was 104% of the U.S. level.

Bristol's financial position remains, in our view, stable and strong due, in part, to its demonstrated fiscal management. We believe the city's conservative budgeting, expenditure controls, and adherence to debt and fund balance policies have allowed management to maintain a stable financial position and strong reserves through various economic cycles. The city closed fiscal 2010 with a \$481,000 increase to the general fund balance, totaling \$28 million. Of that amount, the city reported \$27.3 million as unreserved general fund balance, equivalent to 18% of expenditures, which we consider very strong. Management is projecting another positive operating result for fiscal 2011 despite lower recurring revenues.

In our opinion, based on these projections, the town will maintain a very strong level of operating reserves heading into fiscal 2012. Moreover, most, if not all, revenues appear to be stabilizing, easing near-term budgetary challenges. Bristol's fiscal 2012 budget is balanced, with appropriations of \$171.1 million. The local property tax, which we view as a stable revenue source, generates nearly 65% of total operating revenues. Tax collections are, in our view, strong and have been above 98% of the tax levy annually in each of the past five years.

Standard & Poor's considers Bristol's financial management practices "strong" under its Financial Management Assessment methodology, indicating the city's financial practices are strong, well embedded, and likely sustainable. Highlights include management's:

- Formal five-year capital improvement programs with identified funding sources;
- Formal reserve policy that sets a floor for reserve balances and how fund balance can be used in budgeting;
- Three-year financial forecasting based on conservative, historical-average-driven budget assumptions; and
- Daily and weekly budget monitoring with monthly formal reporting.

In our opinion, Bristol's debt burden is low. Including this issuance and net of offsetting self-supporting water debt, the overall net debt burden is, in our view, a low \$1,604 per capita, or 1.5% of market value. In our opinion, debt service levels, as a percent of the budget, are also low. The fiscal 2008 carrying charge was equal to 4% of expenditures. We believe the low carrying charge is favorable, especially given that we view debt amortization as above average, with officials planning to retire about 70% of principal by fiscal 2021 and 100% by fiscal 2031.

The city's capital improvement plan through fiscal 2016 totals \$70.7 million. Management intends to issue roughly \$59 million of new debt over the next few years, with the remaining amounts raised through state federal grants and general fund cash.

We view Bristol's fully funded pension plan as a credit strength. The latest actuarial study of the city's three employee pension plans valued the plans' assets at a positive \$229 million as of Jan. 1, 2009. Officials have also conducted an actuarial study of other postemployment benefits, and has estimated an \$81.4 million unfunded liability, as of July 1, 2009. The city has begun to address this liability by creating a separate other postemployment benefits trust. The annual required contribution (ARC) is \$9.3 million, or 5.4% of expenditures. The city is currently funds this liability on a pay-as-you go basis. In 2010, the city's pay-as-you go cost was \$4.4 million, roughly 48% of the ARC.

Outlook

We do not expect to revise the rating within the two-year parameter of the stable outlook because we believe management will make the necessary adjustments to produce balanced operations and maintain strong reserves. In our view, the city's extremely strong and diverse property tax base lends stability to property tax revenues, which is the city's main revenue source. We expect the city's debt service payments as a percent of general fund expenditures to remain moderate and the overall net debt burden to remain low relative to the market value.

Related Criteria And Research

- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: GO Debt, Oct. 12, 2006

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