STANDARD & POOR'S

RATINGSDIRECT®

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Summary:

Bristol, Connecticut; General Obligation; Note

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Credit Profile		
US$8.9 mil GO bnds ser 2009 dtd 02/15/2009 due 02/15/2025		
Long Term Rating	AA+/Stable	New
US$7.41 mil nts ser 2009 dtd 02/17/2009 due 02/16/2010		
Short Term Rating	SP-1+	New
Bristol GO		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Bristol, Conn.'s general obligation (GO) debt one notch to 'AA+' from 'AA' based on our opinion of the city's consistent financial performance, complemented by what we consider a strong and stable revenue source, and strong financial management, which has contributed to strong available reserves through various economic cycles. The outlook is stable.

In addition, Standard & Poor's assigned its 'AA+' standard long-term rating, and stable outlook, to the city's series 2009 GO bonds and its 'SP1+' short-term rating to the city's series 2009 bond anticipation notes (BANs). The city will sell the bonds and BANs concurrently.

The ratings also reflect our opinion of the city's:

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

The city is issuing the long-term bonds for various capital improvement projects. The BANs have been authorized for the purchase and subsequent demolition and clean up of Bristol Centre Mall. The notes are a GO of the city, scheduled to mature on Jan. 15, 2009. Under state statute, the city can roll over this debt for eight years; after the third year, the city must pay 5% of the principal for each of the remaining years. If the city were unable to roll over the BANs or if it could not issue long-term debt at maturity due to market conditions, the city has, in our opinion, sufficient operating flexibility and cash liquidity to pay debt service on the BANs when they come due.

Bristol, with a population estimate of 61,113, is 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. Following a tax base revaluation, the city's net taxable grand list reached $4.6 billion in fiscal 2009, up by, in our opinion, a strong 51% over the previous year. In our opinion, current market value is an extremely strong $108,098 per capita. It is our understanding that management attributes this growth mainly to commercial and industrial expansion, in particular from ESPN, the city's leading employer and taxpayer. Given Bristol's built-out nature, additional property tax base growth is dependent, in large part, on residential property appreciation and the continued development of Bristol's downtown area and large industrial park. We view the tax base as very diverse since the 10 leading taxpayers account for 10% of the net grand list.

In our opinion, the city's local employment base is stable; economic job losses within the Hartford region, however, have led to increases in city unemployment. Estimates have city unemployment at 6.1% compared with 4.7% in 2007. In our view, city income levels are good; 2008 median household effective buying income was 106% of the national level.

In our opinion, Bristol's financial position is stable 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. The city closed fiscal 2008 with a nearly $1.3 million increase to the general fund balance. The 2008 audited general fund balance was $29.0 million: $27.1 million of which was unreserved, a balance equal to 13% of operating expenditures. Management is projecting another positive operating result for fiscal 2009 despite some softening of recurring revenues. The city faces some near-term budgetary challenges, but we believe management has made the necessary budgetary adjustments and has sufficient operating flexibility to produce near-term balanced operating results.

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 97% of the tax levy annually in each of the past five years; according to management, current estimates indicate no deviation from that level.

Standard & Poor's considers Bristol's financial management practices "strong" under its financial management assessment (FMA) methodology, indicating the city's financial practices are strong, well embedded, and likely sustainable.

In our opinion, Bristol's debt burden is low. Including this issuance and net of offsetting self-supporting water debt and state school construction grants, the overall net debt burden is, in our view, a low $1,009 per capita, or 1% of market value. In our opinion, debt service levels, as a percent of the budget, are below average. 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 retiring about 77% of principal by fiscal 2019 and 100% by fiscal 2026.

The city's capital improvement plan through fiscal 2013 totals $82.7 million. Management will fund roughly $73 million of the capital plan through additional debt financing. It will use roughly $47.0 million of the plan for public works projects and $16.3 million for fire department projects.

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 $222 million in 2007. More recently, according to management, despite a sizable investment loss in 2008, the city still maintains a fully funded pension system. Officials have also conducted an actuarial study of other postemployment benefits, which have an estimated $115 million unfunded liability. The city has begun to address this liability by creating a separate other postemployment benefits trust. According to management, the city is exploring several strategies to begin funding this liability.

Outlook

The stable outlook on the standard long-term rating and SPUR reflects Standard & Poor's expectation that the city will continue to manage reserves in accordance with its policies to provide operating flexibility when needed. The city's location and participation in the Hartford metropolitan statistical area (MSA) provides additional stability. We believe despite the region's current economic softening, continued redevelopment, in particular in the downtown area, will contribute to sustained property tax base growth and revenue stability. The stable outlook also reflects our assumption that the projected debt burden will remain manageable because of the city's careful financial and capital planning.

Financial Management Assessment: 'Strong'

Standard & Poor's considers Bristol's financial management practices "strong" under its financial management assessment (FMA) 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.

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

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