

# RatingsDirect®

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## Summary:

# Bloomfield Charter Township, Michigan; General Obligation

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## Summary:

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### Credit Profile

US\$3.085 mil spl ( ltd tax GO ) (Kirkway Area Road Paving Project) ser 2023 dtd 08/10/2023 due 04/01/2038

*Long Term Rating* AAA/Stable New

Bloomfield Twp GO

*Long Term Rating* AAA/Stable Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Bloomfield Charter Township, Mich.'s series 2023 general obligation (GO) \$3.085 million limited-tax special assessment bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the township's existing GO debt.
- The outlook on all ratings is stable.

### Security

The series 2023 special assessment bonds will fund road improvements. The bonds are secured by and are payable from special assessment for the improvements in the special assessment district. The township's full faith credit and resources pledge and agreement to levy ad valorem property taxes, within Michigan limitations as to rate and amount, also secures the bonds. Given the current GO rating on Bloomfield Charter Township, we rate the bonds to the GO pledge. We rate the limited-tax GO debt at the same level as our view of the township's general creditworthiness because the township collects ad valorem taxes from the entire property tax base, coupled with a lack of limitations on the fungibility of resources available for debt service.

While officials use utility revenue and other special assessments to repay or secure several series of the township's outstanding GO debt, we base the rating on all the township's outstanding GO debt on its GO pledge. Existing series 2015 GO bonds are additionally secured by Oakland County's GO pledge. We rate the bonds to the stronger link, but at this time both obligors are rated 'AAA'.

### Credit overview

Enduring credit strengths that substantiate Bloomfield Charter's stability at the 'AAA' rating include its extremely strong economic base, consistent operating performance that supports its robust reserve and liquidity positions, and its strong management practices. To further prudent fiscal oversight, officials have augmented existing policy framework by incorporating rolling, long-term capital planning into its annual budget process as well as formalizing a reserve target of 50% to 75% of general fund expenditures – its maintenance of approximately 75% of operating expenditures, or \$33 million, across its general, public safety, and new equipment and replacement (E&R) funds adheres to this policy. Property taxes, 70% of combined (general and public safety funds) township operating revenue, continue to

perform well reflecting the strength of its commercial and residential real estate. Although the township is mostly built-out, residential infill and redevelopments continue. Credit vulnerability remains, though, as high fixed costs continue to command over one-third of the budget; however, such costs include the township's increased funding of its other post-employment benefits (OPEB) liability as part of its strategy to improve its long-term liability position.

In 2020, the township negotiated with its unions a transition from a hybrid, fully insured plan to a self-insured healthcare model and the subsequent savings have been material in each fiscal year. Health care cost savings, conservative budgeting, stable local revenues, and higher-than-budgeted state-shared revenues have all contributed to surplus operations in recent years up to and including fiscal 2023. As an additional measure to insulate the township from unexpected budgetary stress, officials also established the E&R fund in fiscal 2021 to serve as stabilization for future capital needs in the operating funds or otherwise. Officials anticipate a 0.8% surplus across its operating funds in fiscal 2023, which is net of a \$6 million transfer to the E&R fund as well as an additional \$1.25 million in OPEB contributions. Several months into fiscal 2024, the budget reflects surplus expectations highlighted by increased tax revenue and a 50-cent increase, which will generate \$4 million in new recurring revenue, in the renewal of existing public safety millages. With expenditures tracking approximately 15% under budget, we anticipate that fiscal 2024 will further the township's track record of operational stability.

Approximately 73% of the \$306 million overall net debt of the township is from overlapping entities, and yet it remains a credit positive that it is still under 3% of the township's market value. Relative to its OPEB plan, the township expects to hit the 40% funded ratio by 2033 or earlier and 100% funded by 2045; the funded ratio has improved to 21.8% as of fiscal 2022, up from just 6.7% in fiscal 2018. Given the size of the outstanding liability and high carrying charges, we believe that pension and OPEB costs will remain a significant fixed cost for the township; however, management has a plan in place to address the liability through additional contributions and other cost cutting measures.

The rating reflects our opinion of the township's:

- Robust and affluent residential tax base that participates in the broad and diverse Detroit-Warren-Dearborn metropolitan statistical area, with access to economic institutions in Oakland County including Ford, General Motors, and Fiat Chrysler as well as growing construction, health care, distribution and warehousing, and high-tech research and development sectors;
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology, that underpins continued operational strength through effective measures such as long term financial and capital planning and formalized investment, debt management, and reserve policies;
- Positive operating track record that is expected to continue considering management's ability to adjust the budget as well as its healthy and stable property tax-driven revenue mix, all of which we anticipate will support the maintenance of very strong reserves in line with its formal policy;
- Elevated fixed costs that characterize a weak debt and liability position, though debt maturity remains rapid and its pension plan is well funded at 90% as of fiscal 2022.

### **Environmental, social, and governance**

We have analyzed Bloomfield Charter Township's environmental, social, and governance (ESG) risks; we view them as neutral within our analysis.

## Outlook

In addition to the township's extremely strong economy, the stable outlook reflects our view that the strong management team will adjust accordingly to ensure the maintenance of its very strong financial position over the next two years.

### Downside scenario

If the township's pension and OPEB obligations continue to grow and growing fixed costs compromise the township's ability to maintain balanced operations, we could lower the rating.

### Rating above the sovereign

The rating on Bloomfield Charter Township's GO debt is eligible to be higher than the sovereign rating because we think the township can maintain positive credit characteristics relative to the U.S. sovereign in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign--Corporate And Government Ratings--Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect, the township has predominantly locally derived revenue with independent taxing authority and treasury management from the federal government.

Bloomfield Charter Township, Michigan--key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	223			
Market value per capita (\$)	274,827			
Population			40,986	41,220
County unemployment rate(%)		3.0		
Market value (\$000)	11,264,074	10,802,168	10,500,418	
Ten largest taxpayers % of taxable value	2.0			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		1.5	2.0	3.6
Total governmental fund result % of expenditures		7.8	6.6	5.3
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		74.5	70.0	63.1
Total available reserves (\$000)		33,121	30,316	27,653
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		137	119	109
Total government cash % of governmental fund debt service		766	629	573
<b>Very strong management</b>				
Financial Management Assessment	Strong			
<b>Weak debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		17.9	18.8	19.0
Net direct debt % of governmental fund revenue	129			

**Bloomfield Charter Township, Michigan--key credit metrics (cont.)**

	Most recent	Historical information		
		2022	2021	2020
Overall net debt % of market value	2.7			
Direct debt 10-year amortization (%)	90			
Required pension contribution % of governmental fund expenditures		8.5		
OPEB actual contribution % of governmental fund expenditures		10.1		

**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

**Ratings Detail (As Of July 26, 2023)**

Bloomfield Charter Twp spl assessment bnds (ltd tax GO)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Charter Twp spl assess bnds (ltd tax GO) ser 2018 due 04/01/2033		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Charter Twp GO ltd tax bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Charter Twp GO ltd tax pension oblig rfdg bnds (federally taxable)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Charter Twp GO ltd tax rfdg bnds ser 2014 due 05/01/2026		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Charter Twp GO unltd tax lib rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Twp GO (MBIA) (National)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed

**Oakland County, Michigan**

Bloomfield Charter Township, Michigan		
Oakland County, Michigan		
Oakland Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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