

RatingsDirect®

Summary:

Bloomfield Charter Township, Michigan; General Obligation

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Credit Profile

US\$18.765 mil spl assess bnds (ltd tax GO) ser 2024 due 04/01/2039		
<i>Long Term Rating</i>	AAA/Stable	New
Bloomfield Twp GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Charter Township spl (ltd tax GO) (Kirkway Area Road Paving Project)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Bloomfield Charter Twp GO ltd tax bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Bloomfield Charter Township, Mich.'s series 2024 general obligation (GO) \$18.765 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 is stable.

Security

The series 2024 special assessment bonds will fund road improvements throughout two districts in the township. 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 secure 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, along 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 GO debt outstanding, we base the rating on all the township's GO debt outstanding 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 Township's stability at the 'AAA' rating include its extremely strong economic base, consistent positive operating performance supporting its robust reserve and liquidity positions, and strong management practices, offset by its elevated debt burden and sizable pension and other

postemployment benefits (OPEB) liability. To further prudent fiscal oversight, officials have augmented the existing policy framework by incorporating rolling, long-term capital planning into its annual budget process as well as formalizing a reserve target of 50%-75% of general fund expenditures--its maintenance of approximately 85% of operating expenditures, or \$37.6 million, across its general, public safety, and new equipment and replacement (E&R) funds adheres to this policy. Property taxes, which represent 71% 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. Additionally, the township has been selected as the location for a new Olympic Training Facility and a local country club, Oakland Hills, will host eight golf championships between 2024 and 2051, including the U.S. Open twice. Credit vulnerability remains, as high fixed costs continue to command over one-third of the budget; however, such costs include the township's increased funding of its OPEB liability as part of its strategy to improve its long-term liability position.

Conservative management practices, investment earnings, and state revenue sharing trust fund from Michigan sales tax revenue have supported the township's positive financial results in recent years, in addition to vacancies on the township's staff and the 2020 transition to a self-insured health care model for employees. In fiscal year 2023, the township reported an operating surplus of 0.7%, and unaudited fiscal year 2024 results indicate a surplus of 0.005%, net of contributions beyond the minimum to the pension and OPEB funds and a transfer to the E&R fund. In fiscal 2025, the township anticipates another surplus and has no plans to draw down from reserves or the E&R fund. In August 2024, the township plans to go to voters to renew one of its three public safety millages, which brings in approximately \$4 million annually, the other two having been renewed in 2016 and 2022.

Approximately 67% of the \$324 million overall net debt of the township is from overlapping entities; however, it remains a credit positive that the overall net debt 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 22.56% in fiscal 2023, 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 plans to address the liability through contributions beyond the minimum requirements.

The 'AAA' rating further reflects our view of the district's:

- Robust and affluent residential tax base, which 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 Stellantis, 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 expect will support the maintenance of very strong reserves, in line with its formal policy; and
- Elevated fixed costs, characterizing 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 view Bloomfield Charter Township's environmental, social, and governance (ESG) risks as neutral in our analysis.

Outlook

In addition to the township's extremely strong economy, the stable outlook reflects our view that the strong management team will continue to achieve positive operating results over the next two years.

Downside scenario

We could lower the rating if fixed costs compromise the township's ability to maintain balanced operations through the township's growing pension and OPEB obligations.

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 "Ratings Above The Sovereign--Corporate And Government Ratings--Methodology And Assumptions" criteria, published Nov. 19, 2013, on RatingsDirect, the township has predominantly locally derived revenue with independent taxing authority and treasury management from the federal government.

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 June 14, 2024)		
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 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
Oakland County, Michigan		
Charter Township of Bloomfield, Michigan		
Oakland County, Michigan		
Oakland Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Summary: Bloomfield Charter Township, Michigan; General Obligation

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