Summary:
Bloomfield Charter Township, Michigan; General Obligation

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S&P Global Ratings assigned its 'AAA' rating to Bloomfield Charter Township, Mich.'s series 2020 general obligation (GO) $1.9 million limited-tax special assessment bonds, and to the township's series 2020A $1.9 million and 2020B $2.2 million limited-tax GO 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.

The series 2020A and 2020B bonds will refund existing obligations for interest-cost savings. 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, secure the bonds. 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.

The series 2020 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 districts. The full faith and credit of the township have been pledged for the payment of the bonds. Given the current GO rating on Bloomfield Charter Township, we rate the bonds to the GO pledge.

Previously rated GO bonds (series 2015) 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'.

The bonds are eligible to be rated above the sovereign because we believe the township can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions" (published Nov. 19, 2013), we believe U.S. local governments have moderate sensitivity to country risk. The nation's institutional framework is predictable for local governments, allowing them significant autonomy and independent treasury management with no history of federal
government intervention. We think very strong budgetary reserves and primarily locally sourced operating revenue sufficiently demonstrate the township's financial flexibility.

Credit overview
S&P Global Economics indicates that the pandemic had caused the national economy to experience recessionary pressures and recovery will be slow (see "The U.S. Economy Reboots, With Obstacles Ahead," published Sept. 24, 2020, on RatingsDirect), which we expect could cause moderate revenue declines. That said, Bloomfield Charter Township is benefiting from economic development and population growth that support its sustained budgetary balance and a very strong reserve and liquidity position. We expect these factors should help the township navigate potential challenges related to the COVID-19 pandemic and recessionary pressures.

Relative to other ‘AAA’ municipalities, Bloomfield Charter Township has an extremely strong economic base, as evidenced by very strong income and market value. It also has very high fixed costs for debt service, pension, and other postemployment benefits (OPEBs). To address the high pension and OPEB costs, management has proactively developed a plan to maintain its high pension funded ratio, improve its OPEB funding, and continue to post balanced financial operations. The township has a strong history of adjusting its budget when necessary, and as a result, we expect it to maintain its reserves and cash on hand at levels we consider very strong.

The stable outlook reflects our view of Bloomfield Charter Township's continued consistent financial performance and very strong underlying economy, supported by strong management. We do not anticipate changing the rating in our two-year outlook horizon because we believe that the township will maintain reserves at very strong levels, paired with at least adequate budgetary performance.

The rating reflects our opinion of the township's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2020;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2020 of 63% of operating expenditures;
- Very strong liquidity, with total government available cash at 109.0% of total governmental fund expenditures and 5.7x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability profile, with debt service carrying charges at 19.0% of expenditures and net direct debt that is 181.8% of total governmental fund revenue, and a large pension and OPEB obligation, but low overall net debt at less than 3.0% of market value and rapid amortization, with 81.5% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Environmental, social, and governance factors
Our rating incorporates our view regarding the health and safety risks posed by the COVID-19 pandemic, and specifically how an extended economic slowdown could weaken Bloomfield Charter Township's revenues. However,
we do not view the township as at heightened risk compared with the rest of the sector. In our view, its good wealth and strong incomes represent an opportunity, as this could help support future tax rate approvals. We view governance and environmental risks as in line with the sector. We note that management has taken steps to secure its digital framework.

**Stable Outlook**

**Downside scenario**
If the township 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.

**Credit Opinion**

**Very strong economy**
We consider Bloomfield Charter Township's economy very strong. The township, with an estimated population of 41,146, is located in Oakland County in the broad and diverse Detroit-Warren-Dearborn MSA. The township is about 20 miles northwest of downtown Detroit. It has a projected per capita effective buying income of 228% of the national level, which we view as extremely high and a positive credit factor and per capita market value of $255,199. Overall, the township's market value grew by 3.8% over the past year to $10.5 billion in 2021.

Consistent tax base growth shows the local economy's resilience compared to the surrounding Detroit area, reflecting the strength of its commercial and residential real estate. Although the township is mostly built-out, residential infill and redevelopments continue. Management reports that the residential market below $600,000 is doing exceptionally well right now. Based on current and expected residential and commercial development, we expect tax base to remain at least stable.

Oakland County, where the township is located, is home to the corporate headquarters of FCA US LLC (Fiat Chrysler, county employment of 12,848) and several General Motors facilities (8,476). Ford, General Motors, and Fiat Chrysler have each announced substantial new job creation in the region. The growth is not limited to vehicle manufacturing, as construction, health care, distribution and warehousing, and high-tech research and development are growing sectors. A notable addition within the county will be a new Amazon distribution center in Pontiac at the site of the former Silver Dome. Oakland County's unemployment rate was 3.4% in 2019. The county unemployment reached 20% during the peak of the stay-at-home orders in earlier part of 2020 but is now steadily coming down.

**Strong management**
We view the township's management as strong, with good financial policies and practices under our FMA methodology, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Bloomfield Charter Township uses an assessor for property tax revenue and consultants for pension costs, as well as historical information, when budgeting. Management provides the township board with quarterly reports on budget-to-actual results. While management uses four-year financial planning, it lacks a capital improvement plan.
However, its informal reserve target calls for maintaining, at least, 30% of expenditures in operating funds (the general, road, and public-safety funds); we consider this equivalent to cash flow for the weakest point in the year. While it does not have a debt-management policy, the township has a locally adopted investment policy. The board reviews the investment portfolio quarterly.

**Adequate budgetary performance**

Bloomfield Charter Township's budgetary performance is adequate in our opinion. The township had operating surpluses of 2.1% of expenditures in the general fund and of 4.3% across all governmental funds in fiscal 2020. Our assessment incorporates heightened near-term uncertainty that exists because of the recessionary pressures related to the COVID-19 pandemic and any resulting financial implications.

We considered combined revenue and expenditures for the general, and public safety funds in our analysis of budgetary performance. Combined operating revenues were $61 million in fiscal 2020, led primarily by property taxes (71%), charges for services (7.2%), and state revenue-sharing (6%) being the next largest source.

Bloomfield Charter Township has a history of maintaining mostly balanced or positive operations--it has been quick to reduce discretionary spending when revenue decreased during economic downturns. Moreover, the township's management has a track record of successfully containing the growing costs in recent years. Reduced headcount and savings from switching to self-funded health care helped the township outperform the budget in 2020 despite pandemic-induced revenue pressures. The township reported surpluses in its key operating fund in 2020 (March 30) and still managed to transfer $2 million to the retiree health care fund.

For fiscal 2021, management projects a small surplus across its operating funds, which is in line with historical performance. Relative to the ongoing pandemic, the township has received Coronavirus Aid, Relief, and Economic Security Act reimbursements, as well as additional aid in the form of grants. Management expects that it will be able to manage expenditures in light of existing and potential revenue reductions, such that there will not be a use of fund balance in fiscal 2021.

**Very strong budgetary flexibility**

Bloomfield Charter Township’s budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2020 of 63% of operating expenditures, or $27.7 million. The restricted fund balances for the public safety funds were considered available, in addition to the general fund available reserves, in our consideration of the budgetary flexibility. We expect the combined available fund balance to remain above 30% of expenditures for the current and next fiscal years, a positive credit factor.

Management does not expect to reduce reserves during fiscal 2021. Therefore, we expect budgetary flexibility will likely remain very strong during at least the next two fiscal years.

**Very strong liquidity**

In our opinion, Bloomfield Charter Township’s liquidity of more than $63 million is very strong, with total government available cash at 109.0% of total governmental fund expenditures and 5.7x governmental debt service in 2020. In our view, the township has strong access to external liquidity if necessary.

In our analysis, we considered cash balances and investments with less than one year of maturities. The township has
issued GO debt during the past 20 years and used other revenue sources for repayment when possible, demonstrating its strong access to external liquidity.

**Weak debt and contingent liability profile**

In our view, Bloomfield Charter Township's debt and contingent liability profile is weak. Total governmental fund debt service is 19.0% of total governmental fund expenditures, and net direct debt of about $111 million is 181.8% of total governmental fund revenue. Overall net debt is low at 2.2% of market value, and approximately 81.5% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

Overall debt reflects self-support for water revenue, which management uses to pay debt service on several GO bond issues. The township officials will likely be issuing road bond periodically as the township's roads are ageing although there are no definitive plans at this point.

**Pension and other postemployment benefit liabilities**

In our opinion, a credit weakness is Bloomfield Charter Township's large pension and OPEB obligation and high annual pension and OPEB costs (close to 20% of total budget).

Bloomfield Charter Township participated in the following plan, funded as follows as of March 30, 2020:

- **Public Employees Retirement System (PERS):** 82% funded, with a proportionate share of the net pension liability of $43 million.
- In addition to pension benefits, the township provides OPEBs. The net OPEB liability as $108 million, which we view as high.

The high pension funded ratio is a result of the township issuing pension bonds in 2014. Management closed its PERS plan in 2005 with the last group exiting the plan in 2011 when it issued its pension bonds, and instituted a defined contribution plan for all new employees. Management reports that the plan shifted to a discount rate 5.75% in fiscal 2019, but then moved back to 6.00% in 2020. For more on our view of pension obligation bonds, please see our report "Pension Obligation Bonds' Credit Impact On U.S. State And Local Government Issuers," published Dec. 6, 2017.

As noted above, Bloomfield Charter Township's OPEB liabilities are high. The township is addressing the OPEB liability by paying more than the pay-as-you-go requirement suggests. The OPEB plan's fiduciary net position, as a percentage of total liabilities, improved to 11% in fiscal 2020. The township had funded OPEBs on a pay-as-you-go basis in the past, but to comply with Michigan's Public Act 202 of 2017, which requires at least 40% funding of OPEBs of the next 30 years, it submitted a corrective action plan to the state. Michigan approved the plan on May 20, 2019, and the township expects to hit the 40% funded ratio by 2033 or earlier and 100% funded by 2045. 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.

**Strong institutional framework**

The institutional framework score for Michigan municipalities with a population between 4,000 and 600,000 is strong.
Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- 2019 Update Of Institutional Framework For U.S. Local Governments

**Ratings Detail (As Of October 2, 2020)**

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Long Term Rating</th>
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<tr>
<td>Bloomfield Charter Twp spl assess bnds (ltd tax GO) ser 2018 due 04/01/2033</td>
<td>AAA/ Stable</td>
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<td>Bloomfield Charter Twp GO ltd tax bnds</td>
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<td>Affirmed</td>
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<tr>
<td>Bloomfield Charter Twp GO ltd tax pension oblig rfdg bnds (federally taxable)</td>
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<td>AAA/ Stable</td>
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<tr>
<td>Bloomfield Charter Twp GO unltd tax lib rfdg bnds</td>
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<td>Oakland Cnty GO</td>
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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 for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings’ public website at www.standardandpoors.com. Use the Ratings search box located in the left column.