

RatingsDirect®

Summary:

Stamford, Connecticut; General Obligation

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Summary:

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Credit Profile

US\$40.0 mil GO bnds ser 2022 due 06/15/2042

Long Term Rating

AAA/Stable

New

Stamford GO

Long Term Rating

AAA/Stable

Affirmed

Rating Action

S&P Global Ratings assigned its 'AAA' long-term rating to Stamford, Conn.'s \$40 million series 2022 general obligation (GO) bonds. In addition, we affirmed our 'AAA' long-term rating on the city's GO debt outstanding. The outlook is stable.

Stamford's full-faith-and-credit pledge, payable from the levy of an unlimited ad valorem tax on all taxable property in the city, secures the bonds.

Officials will use proceeds for various public improvement projects and school projects.

Credit overview

Stamford has a very strong economy and wealthy tax base and participates in the broad and diverse Bridgeport and New York City metropolitan statistical areas (MSAs). Ongoing city developments have led to solid tax base growth which has propelled positive financial operations and increased reserve balances across various governmental funds over the last several years.

The city maintains a strong management environment and its fixed costs and retirement liabilities are manageable and do not add undue pressure to the budget. To date, it has not observed any considerable disruption to its main revenues, and because of its strong budgetary assumptions is estimating a general fund budget surplus upward of \$11 million (1.2% of expenditures) for the close of fiscal 2022. The city's financial position is at its strongest level as it heads into fiscal 2023 and it is not forecasting for any meaningful draw on its available general fund reserves. The stable outlook reflects its ability to maintain strong budgetary performance even amid a challenging economic environment due to its prudent budget monitoring and planning.

The GO rating is above the federal sovereign rating because we believe the city can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions" (published Nov. 19, 2013, on RatingsDirect), Stamford has a predominantly locally derived revenue source, with approximately 83% of general fund revenue coming from property taxes in fiscal 2021. The city also has independent taxing authority and independent treasury management from the federal government.

Key rating factors include the city's:

- Deep diverse economic base with very strong household income and per capita market values and participation within a broad and diverse MSA;
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology and a strong institutional framework score;
- Robust budgetary performance exhibited over several years with strong reserves and very strong liquidity, which should provide flexibility to manage for unforeseen budgetary challenges potentially reflecting the current economic environment; and
- Low overall debt burden relative to its tax base and aggressive debt repayment schedule.

Environmental, social, and governance

We view environmental risks as elevated given Stamford's coastal exposure. Management, however, has been proactive in addressing these risks and has undertaken a coordinated response to local climate resilience, including working with local businesses on zoning and development. Social and governance factors are neutral in our credit rating analysis.

Stable Outlook

Downside scenario

We could lower the rating if the city were to experience a substantial weakening of budgetary performance beyond current projections, leading to a deterioration of available reserves to levels no longer commensurate with the rating.

Credit Opinion

Deep diverse and wealthy economic base with additional growth prospects

Stamford's location along a developed network of highways and commuter rail lines connects residents with employment opportunities across the Bridgeport MSA and New York City. The city features employment in high-paying sectors, including financial services, insurance, and real estate, as well as professional, technical, and business services, making it a regional employment hub in the county.

Stamford's household incomes are significantly higher than national medians for a city of its size and its taxable base, spurred by a healthy mix of residential and commercial development that continues to see steady growth. Moreover, according to management, the pandemic did not materially disrupt ongoing construction activity in the city. Prior to the pandemic, more than 3,100 residential units were under construction or approved to begin construction. Since 2018, the city's estimated full value of properties has grown by 15% to approximately \$32.4 billion. Residential properties make up 54% of the grand list, while commercial and industrial accounts for 36%.

The city and county unemployment rates have come down to pre pandemic levels, although we note U.S. real-time economic trackers show high prices and interest rates continue to slow economic activity across the country. Stamford's economy is resilient, however, and its main revenues are not prone to deterioration over economic cycles since they are predominantly property taxes and state aid. For more information on S&P Global Economics' view, see "Economic Outlook U.S. Q3 2022: The Summer Of Our Discontent," published June 27, 2022, on RatingsDirect.

Strong budgetary monitoring and emphasis on financial and capital planning highlight management's strengths

In preparing its annual budget, Stamford performs a comprehensive review of historical trends to develop revenue and expenditure assumptions. Financial officials review annual budget requests with city department heads and the city maintains contact with the state Office of Policy and Management, supporting our view of its proactive identification of potential issues affecting finances.

During the fiscal year, management shares quarterly budget-to-actual reports and year-end projections with the city's board of finance and board of representatives. Stamford also undertakes long-term financial and capital planning activities on a rolling basis. The city's projected revenue and expenditures for the current and two subsequent years allow for the identification and allocation of funds for potential changes. Its capital plan includes the current year and five subsequent ones and provides details about sources and use of funds. These long-term planning documents are publicly available, and management incorporates them into annual budget discussions.

Although Stamford does not have a formal debt policy, the city charter requires management to deliver a comprehensive debt analysis to the mayor and board of finance annually. The city's "Safe Debt Report" is an analysis of current debt levels and provides projections for the effects of proposed issuances. The administration has an informal target to keep annual debt service requirements below 10% of general fund revenue, although they typically stay well below that amount. Stamford also maintains formal policies on investments and a rainy day fund balance policy. Management reports investment holdings and earnings quarterly, and the city maintains fund balance levels to support its rainy day fund target of no more than 5% of general fund expenditures.

Financial reserves are at their strongest level and budgetary performance remains strong with the aid of ARPA and CARES Act funding.

Strong management and historically conservative budgeting practices have allowed the city to maintain robust financial operations over several years. Despite early concerns for revenue reductions because of the pandemic, management did well to manage its costs with the support of stimulus funds, which the city used in certain situations to support the budget. Stamford was able to produce a sizable surplus at the close of fiscal 2021, increasing budgetary reserves to their highest point ever. For fiscal 2022, the city estimates another operating surplus for similar reasons, although not as robust.

The fiscal 2023 budget is \$626 million, a 1.7% increase over the prior year. The budget does not factor a \$5 million contingency, which management can only expend with approval by the city's board of finance and representatives. The tax millage rate will increase by a modest 0.97%, which because of solid tax base growth is below the average growth rate. The budget also funds a new \$20 million school capital construction reserve, which will support school construction in lieu of debt borrowing in the future. We do not expect Stamford's budgetary performance to weaken in fiscal year 2023. We base this on the city's historically positive financial operations, coupled with a predictable and stable revenue base that to date has been relatively steady, and given the additional support from ARPA and other stimulus packages.

Strong debt and contingent liability profile

Stamford has approximately \$519.6 million of total direct debt outstanding. Of this amount, the city had approximately \$45.8 million of tax-secured enterprise debt secured by net revenue from its water pollution control authority

operations. It expects to issue additional debt over the next few years for public improvements and school projects, but given the rapid amortization of existing debt--management generally strives to retire debt at an amount equal to the amount that it will issue. As mentioned above, the city plans for its future issuances through its "Safe Debt Report" analysis. For fiscal 2023, the recommended safe debt limit calls for a limit of \$40 million for the subsequent five years, for a total of \$240 million in prospective borrowing.

Pension and other postemployment benefit (OPEB) liabilities:

- We do not view pension and OPEB liabilities as an immediate source of credit pressure for Stamford despite lower funding levels and our expectation that costs will increase over time.
- The city continues to fund OPEBs at its actuarial amount and maintains a solid balance in its trust funds.

Stamford maintains four pension plans, which are, in order of size:

- Classified Employees Retirement Fund (CERF), funded at 99.6% and a net pension liability (NPL) position of \$1.1 million.
- Policemen's Pension Trust Fund, funded at 75% with a NPL position of \$76 million.
- Firefighters' Pension Trust Fund, funded at 79% and a NPL position of \$48.8 million.
- Custodians' and Mechanics' Retirement Fund, funded at 107% and a net pension asset of \$7.6 million.

On a combined basis, the fiduciary net position of all funds is \$825.5 million, with a total pension liability of \$943.8 million, for a combined funded ratio of 87% and a NPL of \$118.3 million. The city has steadily reduced its assumed rate of return in recent years, with all plans currently maintaining an assumed rate of return of 6.95%; the city plans to continue to reduce the assumed rate of return, although timing for further adjustment is uncertain. For its largest plans, we note it has been contributing both minimum and static funding, suggesting it is making progress in addressing the long-term liability.

Stamford also provides OPEBs, and it has made a recent practice of contributing 100% of its actuarially required contributions. The city's net OPEB liability was \$196.3 million at the end of fiscal year-end 2021, representing a funded ratio of 55.7%. We believe it actively manages its pension and OPEB liabilities through its working relationship with its collective bargaining units, and we anticipate it will continue to do so over the near term.

Strong institutional framework

The institutional framework score for Connecticut municipalities is strong.

Stamford, CT -- Key Credit Metrics				
	Most recent	Historical information		
		2021	2020	2019
Very strong economy				
Projected per capita EBI % of U.S.	163			
Market value per capita (\$)	252,225			
Population		128,634	128,706	129,285

Stamford, CT -- Key Credit Metrics (cont.)

	Most recent	Historical information		
		2021	2020	2019
County unemployment rate(%)		6.1		
Market value (\$000)	32,444,736	31,380,439	30,920,252	30,587,760
Ten largest taxpayers % of taxable value	12.7			
Strong budgetary performance				
Operating fund result % of expenditures		2.4	2.1	2.3
Total governmental fund result % of expenditures		3.4	1.2	2.3
Strong budgetary flexibility				
Available reserves % of operating expenditures		8.4	7.4	5.3
Total available reserves (\$000)		52,435	45,701	31,591
Very strong liquidity				
Total government cash % of governmental fund expenditures		33	20	20
Total government cash % of governmental fund debt service		433	262	242
Strong management				
Financial Management Assessment	Good			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		7.6	7.5	8.1
Net direct debt % of governmental fund revenue	64			
Overall net debt % of market value	1.5			
Direct debt 10-year amortization (%)	67			
Required pension contribution % of governmental fund expenditures		4.5		
OPEB actual contribution % of governmental fund expenditures		4.7		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.

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 14, 2022)

Stamford GO rfdg		
Long Term Rating	AAA/Stable	Affirmed
Stamford GO rfdg		
Long Term Rating	AAA/Stable	Affirmed
Stamford GO rfdg bnds iss ser 2016 due 08/01/2027		
Long Term Rating	AAA/Stable	Affirmed
Stamford GO rfdg bnds ser 2020C due 02/01/2033		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of July 14, 2022) (cont.)

Stamford GO Bnds

Long Term Rating

AAA/Stable

Affirmed

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.

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