S&P Global
Ratings

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Summary:

Trumbull Town, Connecticut; General Obligation; Note

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Credit Profile		
US$9.665 mil GO bnds iss of 2019 ser A due 08/15/2039		
Long Term Rating	AA+/Stable	New
US$8.7 mil GO BANs dtd 08/28/2019 due 08/27/2020		
Short Term Rating	SP-1+	New
US$8.12 mil GO rfdg bnds iss of 2019 ser B due 09/15/2023		
Long Term Rating	AA+/Stable	New
Trumbull GO BANs		
Long Term Rating	AA+/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' long-term rating and stable outlook to Trumbull, Conn.'s series 2019A general obligation (GO) bonds and series 2019B GO refunding bonds and affirmed its 'AA+' long-term rating, with a stable outlook, on the town's existing GO debt.

S&P Global Ratings also assigned its 'SP-1+' short-term rating to the town's GO bond anticipation notes (BANs), dated Aug. 28, 2019, and maturing Aug. 27, 2020, and affirmed its 'SP-1+' short-term rating on the town's existing BANs.

The long-term rating reflects our opinion of the town's very strong economy with a wealthy property tax base and access to the Bridgeport metropolitan statistical area (MSA). In addition, consistently positive financial operations that have led to continued reserve increases and management's conservative budgeting further support the rating. While we do not expect the debt-and-contingent-liability profile to change, we think retirement liabilities could pressure long-term finances if business conditions were to weaken.

The short-term rating reflects our criteria for evaluating and rating BANs. In our view, Trumbull maintains a very strong capacity to pay principal and interest when BANs come due. The town has, what we view as, a low market-risk profile because it has strong legal authority to issue long-term debt to take out the BANs and it is a frequent issuer that regularly provides ongoing disclosure to market participants.

The town's full-faith-credit-and-resources pledge and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the bonds and BANs.

We understand officials intend to use series 2019A bond proceeds to finance a portion of BANs outstanding permanently and provide new-money funding for various capital improvements and series 2019B bond proceeds to refund GO debt outstanding for present-value savings. Officials also plan to use BAN proceeds to renew a portion of BANs outstanding.

In our opinion, the town's general creditworthiness reflects its:

- Very strong economy, with access to a broad and diverse MSA;
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental-fund level in fiscal 2018;
- Strong budgetary flexibility, with available fund balance in fiscal 2018 at 12.6% of operating expenditures;
- Very strong liquidity, with total government available cash at 17.1% of total governmental-fund expenditures and 2.6x governmental debt service, and access to external liquidity we consider strong;
- Very strong debt-and-contingent-liability position, with debt service carrying charges at 6.5% of expenditures and net direct debt that is 59.8% of total governmental-fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 70.4% of debt scheduled to be retired within 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Trumbull's economy very strong. The town, with an estimated population of 36,634, is in Fairfield County in the Bridgeport-Stamford-Norwalk MSA, which we consider broad and diverse. The town has a projected per capita effective buying income at 160% of the national level and per capita market value of $182,713. Overall, market value has grown by 0.8% during the past year to $6.7 billion in fiscal 2020. County unemployment was 4% in 2018.

Management reports significant redevelopment with construction either underway or in the permitting and planning process. The former Canon office building's redevelopment into a 202-unit apartment complex is underway, and management reports this is generating additional developer interest in nearby properties. To facilitate development, the town adopted a multifamily residential overlay zone because the Canon property and other nearby buildings are in a commercial zone. In addition, management provided incentives such as partial tax abatements for several years. Project completion should occur within the next year with the first residents occupying apartments toward the end of 2019. In the same neighborhood, a 132-unit senior-living facility and a 199-unit multifamily complex are underway.

Management reports nearly $70 million in new construction is underway. Another vacant property is now Trumbull Tradesman Center, a flexible shared workspace for companies in landscaping, plumbing, and related industries. The town also rezoned Westfield Trumbull Mall to allow for additional entertainment, restaurant, retail opportunities, and housing. In addition, several businesses and commercial areas continue to expand. Further development includes new businesses at Trumbull Corporate Park--a $20 million worksite renovation of Henkel Corp.--and newly established locations for Fuji Film and Central Communications, among others.

While other projects in the pipeline are publicly unannounced, management expects significant assessed value (AV) growth during the next few fiscal years. Trumbull notes the slight AV decrease of 0.1% from fiscal years 2016-2017, which it attributes to decreased personal property assessments. It has since instituted a business personal property audit, and management reports personal property AV has rebounded. Management lists the town's location; access to nearby employment centers; and quality of life, including a top-ranked education system, as draws for businesses and

new residents.

Although the town is primarily residential, there are a number of large employers. Westfield Trumbull Mall is the leading taxpayer. Leading employers include:

- Westfield Trumbull Mall (3,250 employees),
- St. Joseph's Manor nursing home (500),
- Kennedy Center (500),
- Target Corp. (400), and
- Unilever (400).

We do not expect to revise our view of the town's economy during the two-year outlook period. We expect AV will likely grow during the next several fiscal years, helping maintain a very strong economy.

Strong management

We view the town's financial 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.

Management uses three years of historical data to identify trends and develop revenue and expenditure assumptions. On the revenue side, it works with the town assessor to project annual grand list growth. Management plans for year-over-year fixed costs and adjusts for changes to salary and health-care expenditures. Management prioritizes appropriations based on departmental and capital needs. The town also conducts frequent internal monitoring of budget-to-actual performance, and the director of finance delivers monthly reports to the board of finance on variances; the director also proposes budget amendments when necessary. Although state statutes strictly limit investments, management maintains an investment policy for short-term investments and interest income and presents holdings to the board monthly.

In our opinion, the maintenance of a five-year, long-term capital improvement plan (CIP) that identifies capital projects and internal financing--through general fund appropriations and debt issuance--strengthens management. Furthermore, Trumbull actively seeks grant funding from state and federal sources, as well as energy-savings-performance-contracting programs. Management presents the CIP to the town council to inform annual budget discussions.

In fiscal 2016, management codified a formal general fund balance policy that sets forth a minimum unassigned fund balance target at 10% of general fund expenditures. In addition, the town's formal procedure is to restore fund balance if it falls below the minimum target. While Trumbull does not currently maintain a formal long-term financial plan, management has studied the expected effects of population growth related to new multifamily housing on the town. In addition, it has demonstrated a conservative, forward-thinking approach to absorbing state aid variability. While Trumbull lacks a formal debt-management policy, it has approved a charter revision that requires all capital expenditures and debt issuances exceeding $15 million to be subject to a voter referendum.

Strong budgetary performance

Trumbull's budgetary performance is strong, in our opinion. The town had slight surplus operating results in the general fund at 0.9% of expenditures and surplus results across all governmental funds at 1.9% in fiscal 2018. General fund operating results have been stable during the past three fiscal years with 0.5% of expenditures in fiscal 2017 and 1.2% in fiscal 2016.

Fiscal 2018 results include adjustments for recurring transfers and one-time capital expenditures paid for with bond proceeds. Management mainly attributes the fiscal 2018 general fund surplus to lower-than-budgeted expenses. Officials indicate a notable portion of savings came from vacancies the town did not fill during the year that they had budgeted for originally; this led to lower-than-expected salary and benefit costs. The town also completed a bond refunding that led to debt-service-cost savings.

In anticipation of a potential state aid decrease and added costs, officials had originally budgeted for an additional $5 million expenditure increase in fiscal 2018. However, once the state adopted its late budget about midway through fiscal 2018, the actual effect on the town's budget was much less than it had budgeted for originally, which led to expenditure savings.

Trumbull is projecting to end fiscal 2019 with a $2.6 million general fund surplus due to salary and benefit savings from vacant positions and lower-than-budgeted energy and utility costs. In addition, the town estimates revenue came in about $1.7 million overbudget due to higher-than-expected building permit revenue and investment income.

The fiscal 2020 budget totals $174.7 million, a 3.6% increase over fiscal 2019 expenditures. The budget also contains a 2.12% mill increase but no fund-balance appropriation. As part of conservative budgeting, Trumbull also budgeted for reductions of about $437,000 in state-education cost-sharing grants and the shifting of teacher pension costs to municipalities from the state, totaling more than $510,000, as recommended by the governor's proposed biennium budget. However, with the state adopting its final budget, which does not reduce state aid for the town or shift teacher pension costs to municipalities, the town applied these savings toward school costs and maintaining a stable tax rate. Overall, management does not currently expect negative financial operations in fiscal 2020.

Property taxes generate 82% of general fund revenue followed by intergovernmental revenue, including on-behalf state payments for the teacher's pension, at 15%. Collections have been strong, averaging 98% during the past three years.

Due to historically positive financial operations, an estimated fiscal 2019 surplus, and generally conservative budgeting, we expect budgetary performance will likely remain strong.

Strong budgetary flexibility

Trumbull's budgetary flexibility is strong, in our view, with available fund balance in fiscal 2018 at 12.6% of operating expenditures, or $23.9 million.

Trumbull added to reserves in each of the past three fiscal years. For fiscal 2019, officials estimate reserves increased by about $2.6 million. In addition, the town did not budget for any fund-balance use in the fiscal 2020 budget. Therefore, we expect budgetary flexibility will likely remain strong during the next few fiscal years. The town's fund-balance policy requires maintaining general fund reserves at a minimum 10% of budgeted expenditures annually.

Very strong liquidity

In our opinion, Trumbull's liquidity is very strong, with total government available cash at 17.1% of total governmental-fund expenditures and 2.6x governmental debt service in fiscal 2018. In our view, the town has strong access to external liquidity if necessary.

We adjusted available cash to account for Trumbull shifting cash and cash equivalents into investments from fiscal years 2016-2017. We expect management could access these funds should the need occur. Trumbull is a regular market participant that has issued debt frequently during the past several years, including GO and refunding bonds and short-term BANs, reflecting its strong access to external liquidity.

The town does not currently have any variable-rate or direct-purchase debt. Trumbull does not invest aggressively. Investments are subject to strict state guidelines. It invests cash in low-risk assets, including the state's short-term investment fund, money-market funds, or certificates of deposit. Furthermore, Trumbull does not have any expected significant cash deterioration. Therefore, we expect liquidity will likely remain very strong during the next two fiscal years.

Very strong debt-and-contingent-liability profile

In our view, Trumbull's debt-and-contingent-liability profile is very strong. Total governmental-fund debt service is 6.5% of total governmental-fund expenditures, and net direct debt is 59.8% of total governmental-fund revenue. Overall net debt is low at 1.9% of market value and roughly 70.4% of direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

With this issuance, Trumbull will have about $152.8 million of total direct debt outstanding, including $8.7 million of short-term BANs. Management expects to issue $7 million-$10 million of new debt annually to fund road upgrades and other capital projects and acquisitions, which is consistent with recent issuances. We do not expect any debt issuance during the next few years to change our view of the town's debt profile.

In our opinion, Trumbull's large pension and other-postemployment-benefits (OPEB) obligation is a credit weakness. Trumbull's combined required pension and actual OPEB contribution totaled 4.4% of total governmental-fund expenditures in fiscal 2018. The town made its full annual required pension contribution in fiscal 2018. The largest pension plan's funded ratio is 41.6%.

Trumbull administers two defined-benefit pension plans. The larger plan covers eligible full-time employees other than police, firefighters, and teachers. The smaller plan covers police department employees. Administrative personnel and certified board of education faculty participate in a state-administered pension plan; the town does not contribute to this plan.

As of the June 30, 2018, audit, the town plan was 41.58% funded and the police plan was 76.92% funded. Both plans use a 7.5% discount rate, which we consider average. The current net pension liability is $49.7 million for the town plan and $19.3 million for the police plan. In 2017, Trumbull contributed $4.2 million to the town plan and $3 million to the police plan.

We understand the town has modified some assumptions according to the July 1, 2018, actuary valuation and adopted a close amortization for both plans, which we view positively. The town's plan amortizes within 23 years while the

police plan amortizes within 13 years. The town has also contributed an additional $500,000 more than the actuarially determined contribution toward its pensions in fiscal 2020.

Trumbull also provides OPEB to retirees in the form of health and life insurance, for which employees reimburse the town fully. Under Governmental Accounting Standards Board Statement No. 74, the town reports a net OPEB liability of $32.4 million and OPEB trust fund assets of $682,756 in fiscal 2018. While the town segregates assets for its OPEB liability, the OPEB liability is an implicit rate subsidy.

In fiscal 2018, Trumbull contributed $539,392, or about 20.6%% of its annual OPEB cost. While we expect Trumbull will likely continue to address pension and OPEB liabilities, we believe that these liabilities remain large and that they could pressure the budget due to funding ratios, especially if Trumbull does not meet actuary assumptions.

Strong institutional framework

The institutional framework score for Connecticut municipalities is strong.

Outlook

The stable outlook on the long-term rating reflects S&P Global Ratings' opinion Trumbull will likely continue to adjust its budget to maintain structural balance while maintaining strong reserves. In our opinion, underlying wealth and income, particularly due to expected AV growth, provide additional rating stability. Therefore, we do not expect to change the rating within the two-year outlook period.

Upside scenario

All else remaining equal, we could raise the rating if unfunded retirement liabilities were to decrease markedly, coupled with available reserves strengthening to levels we consider commensurate with 'AAA' rated peers.

Downside scenario

We could lower the rating if financial performance were to weaken, resulting in decreased available fund balance.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2018 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of August 8, 2019)		
Trumbull GO BANs		
Short Term Rating	SP-1+	Affirmed
Trumbull GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.