FitchRatings

Stamford, Connecticut

Public Finance
Tax-Supported
U.S.A

Ratings

Long Term Issuer Default Rating	AAA

New Issues

$40,000,000 General Obligation Bonds, Series 2020A	AAA
$11,250,000 General Obligation Refunding Bonds, Series 2020B	AAA

Outstanding Debt

General Obligation Bonds	AAA

Rating Outlook

Stable

Applicable Criteria

U.S. Public Finance Tax-Supported Rating Criteria (March 2020)

Related Research

Fitch Rates Stamford CT's $51.1 Million GO Bonds 'AAA'; Outlook Stable (July 2020)

Fitch Ratings Updates Coronavirus Scenarios for U.S. State and Local Tax-Supported Issuers (May 2020)

Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases — Update (April 2020)

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New Issue Summary

Sale Date: The series 2020A bonds are expected to sell competitively on July 21. The series 2020B refunding bonds will be sold on a negotiated basis on July 21.

Series: Series 2020 A general obligation and series 2020B general obligation refunding bonds.

Purpose: The series 2020A bonds are being issued to provide financing for various city and school capital projects. The series 2020B bond proceeds will be used to refund a portion of outstanding GO bonds for debt service savings.

Security: The bonds are backed by Stamford's full faith and credit and unlimited taxing power.

The 'AAA' IDR and GO bond rating reflect Fitch's expectation for the city of Stamford to maintain healthy financial flexibility both through the current recession and through future economic cycles, consistent with a recent history of strong operating performance and sound reserves. The city's strong financial profile reflects its moderate fixed cost burden, unlimited legal ability to raise revenues and a demonstrated ability to reduce expenditures during economic downturns. Fitch expects long-term liabilities to remain low based on manageable capital needs and a commitment to full funding of its city-managed pension plans.

Economic Resource Base: The city of Stamford covers an area of 40 square miles and is located on the Long Island Sound between Greenwich to the west and New Canaan and Darien to the east. It is about one hour from New York City by rail or highway transportation. Stamford is Connecticut's third-largest city based on its estimated 2019 Census population of approximately 130,000, up close to 6% since 2010, a rate faster than the state and close to the national increase.

Key Rating Drivers

Revenue Framework: 'aaa': Stamford's primary source of revenues is property taxes. Following near-term revenue disruptions, Fitch expects natural general fund revenue growth to be above inflation but below GDP when considering changes in tax base values from future five-year revaluation results and new improvements. A number of new developments are either underway or proposed and are expected to continue a recent trend in moderate tax base growth. Local governments in Connecticut have an unlimited taxing authority.

Expenditure Framework: 'aa': Fitch expects the natural pace of spending growth to be generally in line with revenue growth over time. Fixed carrying costs for debt service, pensions and other post-employment benefits (OPEB) represent a moderate 15% of total governmental spending. The city has adequate controls over employee headcount and wages, and has demonstrated the flexibility and willingness to cut spending during economic downturns.

Long-Term Liability Burden: 'aaa': The city's overall debt and Fitch-adjusted net pension liabilities (NPL) represent a low 6% of residents' estimated personal income. Fitch expects Stamford's long-term liability burden to remain low based on a manageable capital plan, a rapid pace of principal amortization and city ordinances in place requiring full funding of its annual pension actuarially determined contributions (ADC).

Operating Performance: 'aaa': Prudent fiscal policies and conservative budgeting practices have resulted in historically sound operating results and maintenance of sound general and capital reserve levels. Based on Stamford's solid level of expenditure flexibility and unlimited legal revenue-raising ability, Fitch expects management will continue to maintain a high level of financial flexibility in order to withstand a future economic downturn in a manner consistent with the current rating level.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Not applicable for issuers with a 'AAA' rating.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Sustained weakening of revenue growth prospects to a rate that lags the rate of inflation.
- A sustained decline in unrestricted general fund balance to levels that provide more limited gap-closing ability with an expectation for slow recovery.

Current Developments

The ongoing outbreak of coronavirus and related government containment measures worldwide create an uncertain global environment for U.S. state and local governments and related entities in the near term. While Stamford's most recently available fiscal and economic data may not fully reflect impairment, material changes in revenues and expenditures are occurring across the country and likely to worsen in the coming weeks and months as economic activity suffers and public health spending increases. Fitch's ratings are forward-looking in nature, and Fitch will monitor developments in state and local governments as a result of the virus outbreak as they relate to severity and duration, and incorporate revised expectations for future performance and assessment of key risks.

In its baseline scenario, Fitch assumes sharp economic contractions will hit major economies in 1H20 at a speed and depth that is unprecedented since World War II. Sequential recovery is projected to begin from 3Q20 onward as the health crisis subsides after a short but severe global recession. GDP is projected to remain below its 4Q19 level until mid-2022. Additional details, including key assumptions and implications of the baseline scenario and a downside scenario, are described in the 2020 reports, "Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases - Update" and "Fitch Ratings Updates Coronavirus Scenarios for U.S. State and Local Tax-Supported Issuers" on www.fitchratings.com

Stamford Coronavirus Implications

In response to the pandemic, the city adopted a deferment program that offers eligible taxpayers a three-month deferment on real property, personal property and motor vehicle taxes. To be eligible, applicants are required to attest or document significant economic impact from the pandemic. This deferment is only available for the semi-annual property tax payment due date of July 1. Management reports having sufficient liquidity to meet obligations in the event of significant deferral activity; however, they are also preparing to issue short-term tax anticipation notes as a contingency.

Prior to the pandemic, the board of education was running a deficit for the year due to special education spending that was above budget, but the shift to remote instruction led to cost savings that are projected to result in balanced operating results for the year. Citywide, management is projecting an approximate $5 million general fund surplus on a budgetary basis. However, unrestricted general fund reserves are anticipated to decrease from $47 million at FYE 2019 to about $39 million (about 6%-7% of projected expenditures and transfers out). The decline is primarily attributed to about $11.6 million in non-recurring capital expenditures during the year.

The adopted budget for fiscal 2021 anticipates over a 5% reduction in general fund revenues compared with projected results for fiscal 2020, reflecting estimates of the implications of the ongoing pandemic. The tax rate was held flat and the city reduced its property tax collection assumption to 93.9%. Although the state of Connecticut has indicated that it will not reduce the level of state grants to the city for fiscal 2021, the city has reduced its state grant assumptions by 25%, given historical state funding reductions during prior periods of fiscal stress.

Budgeted expenditures are relatively flat compared with the prior year, and the city is currently in the process of negotiating with several of its bargaining units for savings. Two

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	7/07/20
AAA	Assigned	Stable	6/22/17

bargaining units recently settled, agreeing to forgo raises for the upcoming year and shifting to a state health insurance plan with a no-layoff clause for fiscal 2021. Negotiations are still ongoing with the remaining eight other bargaining units that comprise the bulk of the city's general government employees.

The Fitch Analytical Stress Test (FAST) model, which relates historical tax revenue volatility to U.S. GDP, indicates a possible 5% year one decline in general fund revenue under Fitch's baseline scenario. FAST is not a forecast (actual revenue declines will vary from FAST) but it provides a relative sense of revenue risk exposure across Fitch's local government portfolio. Under the baseline scenario, the city's FAST results show its total revenue decline and rebound through Fitch's three-year scenario period would likely compare favorably with other government entities. Fitch views the city's conservative budget assumptions and solid expenditure flexibility as supportive of the city's capacity to maintain a high level of financial flexibility through the three-year scenario.

Credit Profile

Stamford is the state's largest business center and has a strong and diverse business base, including a high number of national and international corporate headquarters. Major employers across multiple industry sectors include healthcare, banking, insurance, pharmaceuticals, retail, and media and information technology. Major employers, apart from the city and schools, include Stamford Hospital, Stamford Town Center Mall, Gartner, Inc., Charter Communications and Deloitte.

Office vacancy rates have remained high in recent years following the reduced presence of several large companies including RBS, UBS and Pitney Bowes. The 2019 vacancy rate for the Stamford Central Business District was 30% and the vacancy rate for the Stamford Non-Central Business District was 34% (according to Cushman and Wakefield) based on an inventory of approximately 16.2 million square feet (sf) in the city.

Despite this above-average level of vacancy rates, development of new office space and new residential/apartment housing has been strong, leading to growth in the city's tax base. The city's proximity to New York City, highly-educated regional employment base and its housing and apartment options have attracted new companies to the city as well as continued new residential and office development despite the reductions mentioned above.

Revenue Framework

The city's primary source of revenues is property taxes, which represent approximately 93% of fiscal 2019 general fund operating revenues (net of state on-behalf payments primarily for teachers' pensions). Management has made modest annual increases to the tax rate to meet expenditure growth and the city has an independent legal ability to raise taxes without limit. Net intergovernmental revenues for the city and its schools accounted for approximately 3% of fiscal 2019 general fund net revenues.

Fitch expects revenue growth to be solid due to the strength in the city's economy and expectations for a solid recovery following the pandemic. The development of new residential, commercial and retail properties is helping contribute to economic growth and future tax base growth supporting Fitch's expectations.

The city's tax base underwent a statutorily required five-year revaluation as of Oct. 1, 2017 (effective for the fiscal 2019 budget year) resulting in 8.5% growth in net taxable values to $21.4 billion. The tax base declined 22.5% during the last five-year revaluation effective Oct. 1, 2012, due primarily to weakness in housing and industrial property values and lease rental values. Between revaluations, assessed values will change from new development or appeals activity, but tax base values are not adjusted for sales of real property or changes in lease rental rates. The overall change in net taxable value since the prior revaluation (effective for fiscal 2014) was approximately 17% through fiscal 2021. Fitch believes prospects for continued tax base growth are reasonable based on trends in annual building permits, new development underway and significant plans for future development.

Wealth levels are above average compared to the state and nation and annual unemployment rates remain below state averages and close to national averages.

Management has the independent legal ability to raise taxes without limit and has made regular increases in its tax levy as needed to meet expenditure growth.

Expenditure Framework

Stamford's spending is primarily for school and city employee salaries and benefits.

Fitch expects expenses to grow in line with, to slightly above, revenues without consideration of policy action. Fixed costs for debt service, pension and OPEB represent a manageable 15% of fiscal 2019 total government spending. Management established an OPEB trust in fiscal 2009, and the city and board of education have gradually increased contributions each year, achieving 100% of actuarially determined contributions in fiscal 2017. The trust had a balance of $139 million as of July 1, 2019 equal to 33% of its accrued OPEB liability and up from $116 million the prior year. Debt service costs are managed not to exceed 10% of general fund spending and future projections inclusive of planned debt issuances over the next five years demonstrate adherence to this policy.

Management has successfully negotiated changes in employee health insurance plan contributions and deductibles for its city workers and continues to seek additional cost savings. Additionally, the city and school have been successful in moving most new employees (excluding teachers) into defined contribution plans. These actions are helping to control growth in these benefit costs.

The city has the ability to reduce expenses tied to its services, including reducing staff at any time if necessary. Union contracts are subject to arbitration but an initial decision may be rejected by a two-thirds vote from the city's board of representatives. A new arbitration panel would then be appointed by the state and their subsequent decision is binding but the panel's decisions are required to take into consideration the financial capability of the city.

Long-Term Liability Burden

Long-term liabilities for debt, including the overlapping debt from the city's tax increment financing district, and Fitch-adjusted net pension liabilities represent a low 6% of residents' estimated personal income. Fitch expects liability levels to remain low given manageable borrowing plans, rapid amortization of existing debt (69% of principal paid over 10 years) and full funding of its ADC for pensions, as required by city ordinance.

The city administers four single-employer defined benefit pension plans and the reported aggregate ratio of assets to liabilities was 77% as of June 30, 2019 based on the city's 7.1% discount rate of return. The Fitch-adjusted ratio declines to 69% based on a 6% discount rate of return and the Fitch-estimated aggregate net pension liability is $299 million (about 2% of residents' personal income).

The city's net unfunded OPEB liability was $286 million as of the July 1, 2019 valuation, equivalent to close to 2% of personal income.

Operating Performance

Fitch expects the city will continue to maintain a high level of financial resilience throughout economic cycles given its superior inherent budget flexibility in the form of its unlimited legal revenue-raising flexibility and solid spending control. The city has demonstrated a commitment to restoring reserves during periods of recovery, including the continued practice of funding non general fund reserves as appropriate including for capital and its medical insurance fund. The city charter limits the rainy day fund held as assigned in the general fund to 5% of spending.

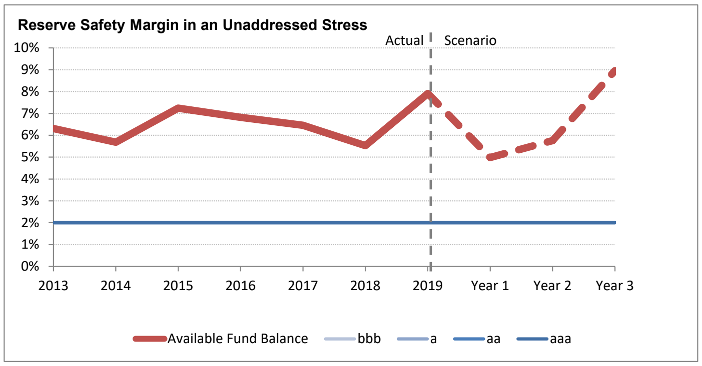
Management's combination of conservative budgeting and careful management of changes in tax rates has helped to support reserve stability and balanced operations in recent years. At the end of fiscal 2019, the unrestricted general fund balance increased from $34.4 million to $47.1 million or 7.9% of spending. These results were achieved even with $8.8 million in additional appropriations made during the year for school building mold remediation and prevention.

ESG Considerations

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Stamford (CT)

Scenario Analysis



Analyst Interpretation of Scenario Results:

Fitch expects the city will continue to maintain a high level of financial resilience throughout economic cycles given its superior inherent budget flexibility in the form of its unlimited legal revenue raising flexibility and solid spending control. The city has demonstrated a commitment to restoring reserves during periods of recovery, including the continued practice of funding non general fund reserves as appropriate including for capital and its medical insurance fund. The city charter limits the rainy day fund held as assigned in the general fund to 5% of spending.

Scenario Parameters:		Year 1	Year 2	Year 3
GDP Assumption (% Change)		(5.6%)	4.3%	2.5%
Expenditure Assumption (% Change)		0.0%	2.0%	2.0%
Revenue Output (% Change)	*Min Y1 Stress:* **-5%** *Case Used:* **Baseline**	(5.0%)	6.0%	4.5%
Inherent Budget Flexibility			Superior	

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2013	2014	2015	2016	2017	2018	2019	Year 1	Year 2	Year 3
Total Revenues	512,394	536,955	544,435	556,312	596,638	614,239	603,973	573,774	608,120	635,315
% Change in Revenues	-	4.8%	1.4%	2.2%	7.2%	3.0%	(1.7%)	(5.0%)	6.0%	4.5%
Total Expenditures	460,093	487,289	489,228	507,886	545,390	560,136	531,358	531,358	541,985	552,825
% Change in Expenditures	-	5.9%	0.4%	3.8%	7.4%	2.7%	(5.1%)	0.0%	2.0%	2.0%
Transfers In and Other Sources	2,865	3,079	2,799	2,780	3,820	3,099	3,908	3,713	3,935	4,111
Transfers Out and Other Uses	52,869	52,244	49,197	51,548	54,106	61,206	63,531	63,531	64,802	66,098
Net Transfers	(50,004)	(49,165)	(46,398)	(48,768)	(50,286)	(58,107)	(59,623)	(59,818)	(60,867)	(61,987)
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus(+)/Deficit(-) After Transfers	2,297	501	8,809	(343)	962	(4,004)	12,991	(17,403)	5,268	20,503
Net Operating Surplus(+)/Deficit(-) (% of Expend. and Transfers Out)	0.4%	0.1%	1.6%	(0.1%)	0.2%	(0.6%)	2.2%	(2.9%)	0.9%	3.3%
Unrestricted/Unreserved Fund Balance (General Fund)	14,259	30,666	38,967	38,134	38,730	34,355	47,061	29,658	34,926	55,429
Other Available Funds (GF + Non-GF)	18,119	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Other Available Funds)	32,378	30,666	38,967	38,134	38,730	34,355	47,061	29,658	34,926	55,429
Combined Available Fund Bal. (% of Expend. and Transfers Out)	6.3%	5.7%	7.2%	6.8%	6.5%	5.5%	7.9%	5.0%	5.8%	9.0%

Reserve Safety Margins	Inherent Budget Flexibility				
Moderate	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	16.0%	8.0%	5.0%	3.0%	2.0%
Reserve Safety Margin (aa)	12.0%	6.0%	4.0%	2.5%	2.0%
Reserve Safety Margin (a)	8.0%	4.0%	2.5%	2.0%	2.0%
Reserve Safety Margin (bbb)	3.0%	2.0%	2.0%	2.0%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's scenario analysis assumes the GDP and expenditure growth sequence shown in the 'Scenario Parameters' section. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.