FitchRatings

Public Finance
Tax-Supported
U.S.A.

Stamford, Connecticut

Ratings

Long-Term Issuer Default Rating	AAA

New Issue

$34,500,000 General Obligation Bonds Series 2021B	AAA

Outstanding Debt

General Obligation Bonds	AAA

Rating Outlook

Stable

Applicable Criteria

U.S. Public Finance Tax-Supported Rating Criteria (May 2021)

Related Research

Fitch Rates Stamford, CT's $35 Million Series 2021B GO Bonds 'AAA'; Outlook Stable (July 2021)

American Rescue Plan Boosts State and Local Government Budgets (March 2021)

New Issue Summary

Sale Date: The series 2021B bonds are expected to sell competitively on July 27.

Series: General Obligation Bonds Series 2021B.

Purpose: The bonds are being issued to provide financing for various city and school capital projects.

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

The 'AAA' Issuer Default Rating (IDR) and GO bond rating reflect Fitch Ratings' expectation for Stamford to maintain healthy financial flexibility through the current economic disruption and future downturns, consistent with a 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: 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 2020 census population of approximately 131,000, up by over 7% since 2010, a rate faster than the state and national average.

Key Rating Drivers

Revenue Framework: 'aaa': Stamford's primary source of revenue is property taxes. Following the pandemic, Fitch expects natural general fund revenue growth to be above inflation but below U.S. GDP when considering changes in tax base values from future five-year revaluation results and new improvements. A number of new developments are either under way 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) represented a moderate 17% of fiscal 2020 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) are low, equal to approximately 6% of residents' estimated personal income including the current issuance. 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 generally positive 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 future economic downturns in a manner consistent with the current rating level.

Analysts

Patrick Goggins
+1 646 582-4695
patrick.goggins@fitchratings.com

Kevin Dolan
+1 212 908-0538
kevin.dolan@fitchratings.com

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- Upgrades are not applicable for issuers rated 'AAA'.

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 materially reduce gap closing ability.

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	7/16/21
AAA	Assigned	Stable	6/22/17

Current Developments

Despite the onset of the pandemic, financial results for fiscal year ended June 30, 2020 were favorable, with positive revenue and expenditure variances supporting a $13 million surplus, building unrestricted reserves to a solid $60 million or 9.5% of spending. Given uncertainties relating to the pandemic during the development of the fiscal 2021 budget, the city adopted several conservative budget assumptions, including a reduction in the property tax collection assumption to 93.9%, compared with a typical 99% assumption, and a 25% reduction in state grants. Certain staff reductions were made or held in place from the last quarter of fiscal 2020 and some services were reduced. The budget also included provisions for the utilization of $18 million in rainy day fund balances and a potential $15 million short-term borrowing.

The schools received about $8 million in aid through the Coronavirus Relief Fund and Elementary and Secondary School Emergency Relief Fund (ESSER) grants from the state during fiscal 2021. An additional $12 million in ESSER grants, available for the next two years, was approved pursuant to the Federal Coronavirus Response and Relief Supplemental Appropriations Act, signed December 2020. Preliminary results for fiscal 2021 indicate revenues were well above conservative budget assumptions, with current property tax collections projected to be over 98% for the year. Increases in building permits, conveyance taxes and stable levels of state aid all supported positive variances relative to budget. Expenditures were in line with budget, and the city currently anticipates that fiscal 2021 results will reflect a $12 million surplus with no use of fund balance or short-term borrowing.

The fiscal 2022 adopted budget totals $572 million, includes a tax rate increase of 2.3%, and reflects a reduction of $11.9 million in appropriations from the proposed budget. The city has been allocated about $24.4 million in direct American Rescue Plan Act (ARPA) funds and an additional amount distributed among Fairfield County municipalities based on population from a county allocation of $183 million. The Stamford Public Schools are slated to receive $30 million to $50 million in ARPA funds. The city expects to use the majority of the funding they received this year ($24.5 million) for capital projects. For more information, see "ARP Boosts State and Local Government Budgets" published March 11 and available on www.fitchratings.com.

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. According to Cushman and Wakefield, the 2020 vacancy rate for the Stamford Central Business District was 31% and the vacancy rate for the Stamford Non-Central Business District was 37% (up from 2019 rates of

30% and 34%, respectively) based on an inventory of approximately 16.2 million square sf in the city. Management reports that despite the pandemic, new leasing activity is occurring, with a number of firms from New York City and other areas either relocating or taking additional space in the city. The city reports it is not experiencing pressure on commercial sector property tax collections.

New residential/apartment housing has been strong, leading to growth in the city's tax base, and robust sales activity over the past 12 months has resulted in an increase in housing values - up 16% yoy through June 2021 according to Zillow.com. The city's proximity to New York City, a highly educated regional employment base and its housing and apartment options have attracted new companies to Stamford 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 2020 general fund operating revenues (net of state on-behalf payments primarily for teachers' pensions). Net intergovernmental revenues for Stamford and its schools accounted for approximately 3% of fiscal 2020 general fund net revenues.

Fitch expects revenue growth to be solid due to the strength in Stamford'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, which supports 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 prior five-year revaluation effective Oct. 1, 2012, due primarily to weakness in housing and industrial property values and lease rental values. In 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. However, the impact from the pandemic on commercial property values and lease rental values remains uncertain.

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 represented a manageable 17% of fiscal 2020 total governmental 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 $167 million as of June 30, 2020 — equal to 37% of its accrued OPEB liability and up from $139 million the prior year. Debt service costs are managed not to exceed 10% of general fund spending. Future projections, inclusive of planned debt issuances over the next five years, indicate continued 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. Stamford and its schools 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 NPLs represent a low 6% of residents' estimated personal income including the current issuance. Fitch expects liability levels to remain low given manageable borrowing plans, rapid amortization of existing debt (70% 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 72% as of June 30, 2020 based on the city's 7.05% discount rate of return. The Fitch-adjusted ratio declines to 64% based on a 6% discount rate of return, and the Fitch-estimated aggregate NPL is $369 million, about 2% of residents' personal income.

The city's net unfunded OPEB liability was $286 million as of June 30, 2020, equivalent to approximately 2% of personal income, and the city's OPEB trust has an assets to liabilities ratio of 37%.

Operating Performance

Fitch expects Stamford 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 nongeneral fund reserves as appropriate, including 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 have helped support reserve stability and balanced operations in recent years. Fitch expects that management will continue to utilize conservative budget management to navigate through the current economic uncertainty and manage expenditures to meet changes in future revenues.

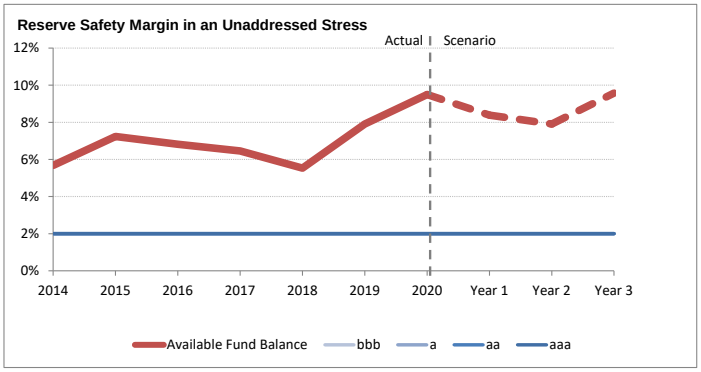
ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance 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 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

Ver 48



Analyst Interpretation of Scenario Results

Fitch expects Stamford 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 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)			(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)			2.0%	2.0%	2.0%
Revenue Output (% Change)	*Min Y1 Stress:* **-1%**	*Case Used:* **Moderate**	(1.0%)	2.6%	4.2%
Inherent Budget Flexibility				Superior	

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2014	2015	2016	2017	2018	2019	2020	Year 1	Year 2	Year 3
Total Revenues	536,955	544,435	556,312	596,638	614,239	603,973	643,226	636,794	653,596	680,980
% Change in Revenues	-	1.4%	2.2%	7.2%	3.0%	(1.7%)	6.5%	(1.0%)	2.6%	4.2%
Total Expenditures	487,289	489,228	507,886	545,390	560,136	531,358	564,372	575,659	587,172	598,916
% Change in Expenditures	-	0.4%	3.8%	7.4%	2.7%	(5.1%)	6.2%	2.0%	2.0%	2.0%
Transfers In and Other Sources	3,079	2,799	2,780	3,820	3,099	3,908	2,369	2,345	2,407	2,508
Transfers Out and Other Uses	52,244	49,197	51,548	54,106	61,206	63,531	68,133	69,496	70,886	72,303
Net Transfers	(49,165)	(46,398)	(48,768)	(50,286)	(58,107)	(59,623)	(65,764)	(67,150)	(68,478)	(69,795)
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus/(Deficit) After Transfers	501	8,809	(343)	962	(4,004)	12,991	13,090	(6,016)	(2,055)	12,269
Net Operating Surplus/(Deficit) (% of Expend. and Transfers Out)	0.1%	1.6%	(0.1%)	0.2%	(0.6%)	2.2%	2.1%	(0.9%)	(0.3%)	1.8%
Unrestricted/Unreserved Fund Balance (General Fund)	30,666	38,967	38,134	38,730	34,355	47,061	60,101	54,085	52,030	64,299
Other Available Funds (GF + Non-GF)	-	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Other Available Funds)	30,666	38,967	38,134	38,730	34,355	47,061	60,101	54,085	52,030	64,299
Combined Available Fund Bal. (% of Expend. and Transfers Out)	5.7%	7.2%	6.8%	6.5%	5.5%	7.9%	9.5%	8.4%	7.9%	9.6%

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.