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Summary:

New Fairfield, Connecticut; General Obligation

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Summary:

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Credit Profile

US\$1.95 mil GO rfdg bnds, iss ser 2014 due 08/01/2020

<i>Long Term Rating</i>	AAA/Stable	New
New Fairfield GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to New Fairfield, Conn.'s series 2014 general obligation (GO) refunding bonds. At the same time, we affirmed our 'AAA' long-term rating on the town's existing parity debt. The outlook on all ratings is stable.

The bonds are secured by the full-faith-and-credit pledge of the town. We understand that bond proceeds will be used to refund the 2006 bonds for net present value savings. There is no extension of maturity and the majority of savings are taken in the first year of the maturity schedule.

The rating reflects our assessment of the following factors for the town:

- A very strong economy that benefits from participation in the broad and diverse economy of the Bridgeport-Stamford-Norwalk metropolitan statistical area (MSA) and access to New York City;
- Strong budgetary flexibility, with 2013 audited available reserves at 13.3% of general fund expenditures;
- Strong budgetary performance, with a projected operating surplus for fiscal 2014;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Strong management conditions with good financial policies; and
- Very strong debt and contingent liabilities position, driven mostly by the town's low overall net debt burden as a percent of market value.

Very strong economy

We view New Fairfield's economy to be very strong with access to the broad and diverse economies of Bridgeport, Stamford, and Norwalk. The town is an affluent and primarily residential community located in Fairfield County on the New York State border, north of and adjacent to the city of Danbury. The town serves as a recreational destination, as roughly 60% of Candlewood Lake's shoreline is within town borders. The county unemployment rate was 7.1% in 2013. The town's projected per capita income is strong at 140% of the nation. Per capita market value was \$171,600 for fiscal 2014. The town's 10 leading taxpayers account for a diverse 2.3% of assessed value (AV).

Strong budgetary flexibility

Budgetary flexibility is strong, with \$7.15 million of 2013 audited available reserves (assigned and unassigned funds) equal to 13.3% of expenditures. Historically, the town has not included an appropriation for fund balance in its adopted budget. Management projects closing fiscal 2014 with an operating surplus, which could result in an increase to

reserves. The fiscal 2015 (June 30 year-end) budget contains a 1.72% tax increase and no appropriation of reserves.

Strong budgetary performance

The town's budgetary performance is strong overall, with an operating surplus in fiscal 2013 following an adjustment for capital expenditures funded through bond proceeds (0.4% for total governmental funds and 0.6% for the general fund operating results). With less than a month remaining in the fiscal year, management projects closing 2014 with a general fund operating surplus of approximately \$132,000. Positive variances in budgeted property tax revenues led to the better-than-budgeted results. The majority of the town's revenue comes from property taxes (77.6%), followed by intergovernmental revenues (18%).

Very strong liquidity

Supporting the town's finances is liquidity we consider very strong, with total government available cash, net of bond proceeds, at 24.4% of total governmental fund expenditures and 4.5x debt service. In our view, the town has strong access to external liquidity as it has issued bonds during the past 15 years. The majority of the town's cash is invested in collateralized bank deposits and certificates of deposit, which we consider to be liquid.

Strong management conditions

We view the town's management conditions as strong, with "good" financial practices under our Financial Management Assessment (FMA). An FMA of "good" indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. We understand that over the next year management may institute formal policies surrounding long-term financial planning, investment management, debt management, and reserve and liquidity guidelines. Highlights of the town's management techniques include budget assumptions based on historical trends, monthly budget monitoring reports that are shared with the department heads and selectmen, a rolling five-year capital improvement plan, and regular monitoring and reporting of the town's investment holdings.

Very strong debt and contingent liability profile

In our opinion, the debt and contingent liability profile is very strong, with total governmental fund debt service at 5.4% of total governmental fund expenditures and net direct debt at 41.4% of total governmental fund revenue. Overall net debt is very low at 1.0% of market value. The town has no contingent liquidity risks from financial instruments, with payment provisions that change upon the occurrence of certain events. Management does not plan to issue any additional debt over the next two to three years.

The town administers two defined-benefit pension plans: the Town of New Fairfield Retirement Income Plan and the New Fairfield Board of Education Retirement Plan. As of the most recent valuation date, July 1, 2012, the funded ratios were 85.2% for the town plan and 94.3% for the Board of Education plan. New Fairfield has made 100% or more of its annual required contributions (ARCs) to the plans in the past three years. The town also provides a retiree health care plan, and had as of July 1, 2011, an unfunded actuarial accrued other postemployment benefits (OPEB) liability of \$6.42 million. In 2013, the town contributed 115% of its ARC to the OPEB plan. The pension and OPEB contributions amounted to 2.1% of governmental expenditures, and management does not anticipate these costs will increase substantially in the near term. We view the town's low overall pension and OPEB liability and the pension plans' high-funded ratios as credit positives.

Very Strong Institutional Framework

We consider the Institutional Framework score for Connecticut towns as very strong.

Outlook

The stable outlook reflects our view of the town's very strong liquidity and strong budgetary flexibility. New Fairfield's participation in the broad and diverse Bridgeport-Stamford-Norwalk MSA and its limited capital needs enhance stability. We do not anticipate changing the rating in our two-year outlook horizon because we expect the town to maintain at least adequate budgetary performance.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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