

RatingsDirect®

Summary:

Cromwell, Connecticut; General Obligation

Primary Credit Analyst:

Hilary A Sutton, New York (1) 212-438-7093; hilary.sutton@standardandpoors.com

Secondary Contact:

Timothy W Barrett, New York (1) 212-438-6327; timothy.barrett@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Cromwell, Connecticut; General Obligation

Credit Profile

Cromwell GO

Long Term Rating

AAA/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on Cromwell, Conn.'s general obligation (GO) bonds to 'AAA' from 'AA', based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

The bonds are secured by the town's GO pledge.

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

- We consider Cromwell's economy very strong, with its projected per capita effective buying income at 138.8% of the U.S. and per capita market value of \$128,700. The town also has access to the broad and diverse Hartford-West Hartford-East Hartford metropolitan statistical area (MSA), and the county unemployment rate for calendar year 2012 was well below 10%.
- In our opinion, the town's budgetary flexibility is very strong with no plans to significantly spend down reserves. Audited fiscal 2013 reserves were \$6.6 million or 14.4% of expenditures. We believe the town has demonstrated a willingness to raise taxes; tax levy increases over the past five years averaged approximately 3% annually.
- The town's budgetary performance has been strong overall, in our view, with a surplus of 2.3% for the general fund in fiscal 2013 and 3.6% of total governmental funds. With 81% of general fund revenue derived from property taxes, we feel the town has a stable revenue stream. Management expects fiscal 2014 to close with an operating surplus.
- Supporting the city's finances is liquidity we consider very strong, with total government available cash at 18.6% of total governmental fund expenditures and at 198.5% of debt service. We believe the city has strong access to external liquidity.
- We view the town's management conditions as strong with good financial practices.
- In our opinion, the town's debt and contingent liabilities profile is very strong, with total governmental fund debt service at 9.4% of total governmental fund expenditures and with net direct debt at 55.8% of total governmental fund revenue. Debt amortization is rapid, with 92% due to be retired over the next 10 years, and the overall debt burden is low at 2% of market value.
- The town administers its own public employee retirement system (PERS) and participates in the state Municipal Employees Retirement Fund (MERF). The latter covers full-time policemen. The PERS funded ratio, as of July 1, 2012, was 99.8%. The combined annual required contribution for pension costs and other postemployment benefit (OPEB) pay-as you-go costs for fiscal 2013 came to 3.1% of expenditures, and we do not anticipate that these costs will increase substantially in the near term. The town's unfunded actuarial accrued OPEB liability was \$8.1 million as of July 1, 2011.
- We consider the institutional framework score for Connecticut towns as very strong. (See the Institutional Framework score for Connecticut.)

Outlook

The stable outlook reflects our view of Cromwell's consistent financial performance and economy, which is supported by good management. We do not expect to revise the rating in the next two years because we believe the town will maintain adequate reserves and continue to participate in the broad and diverse Hartford-West Hartford-East Hartford MSA.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- Institutional Framework Overview: Connecticut Local Governments

Ratings Detail (As Of January 30, 2014)

Cromwell GO

Unenhanced Rating

AAA(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2014 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.