

RatingsDirect®

Summary:

Cromwell, Connecticut; General Obligation

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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.		

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