

RatingsDirect®

Summary:

Brookfield Town, Connecticut; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Credit Opinion

Related Research

Summary:

Brookfield Town, Connecticut; General Obligation

Credit Profile		
US\$7.415 mil GO bnds ser 2022 due 12/01/2042		
Long Term Rating	AAA/Stable	New
Brookfield Twn GO		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Brookfield, Conn.'s roughly \$7.415 million series 2022 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's existing GO debt.
- The outlook is stable.

Security

The town's full-faith-and-credit pledge secures the bonds.

Officials intend to use series 2022 bond proceeds to finance a streetscape-improvement project and various town and school capital-improvement projects.

Credit overview

Brookfield's very strong wealth and income, supported by robust economic development, back the rating. Brookfield's financial-management practices, policies have led to consistently positive finances and increased reserves since fiscal 2015. While recent debt issuance has led to a weakening debt profile, we think fixed costs will likely remain manageable due to pension plan funding and relatively low other postemployment benefit (OPEB) liabilities.

The rating reflects our opinion of Brookfield's:

- Very strong economy with access to a broad, diverse metropolitan statistical area (MSA);
- Consistent surplus, producing strong and growing reserves;
- Strong management with good financial-management policies, practices under our Financial Management Assessment (FMA) methodology and strong Institutional Framework; and
- Manageable debt-and-contingent-liability profile with elevated debt attributed to school projects.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) risks relative to Brookfield's economy, management, financial measures, and debt-and-liability profile; we view them all as neutral, in our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' opinion that management will likely sustain stable finances, allowing it to manage fixed costs.

Downside scenario

We could lower the rating if additional debt issuance were to result in materially weaker debt metrics or if financial performance were to unexpectedly weaken for multiple years, leading to lower reserves.

Credit Opinion

Strong income, steady grand list growth

Brookfield, with a population estimate of 17,600, is in Fairfield County in the Bridgeport-Stamford-Norwalk MSA, which we consider broad and diverse, approximately 70 miles north of New York City. Residents have access to broader employment opportunities in New York City and Westchester County. The town's property tax base is primarily residential.

Brookfield has used state and federal grants to revitalize the Town Center District, including streetscape and roadway improvements that have attracted multifamily residential and commercial developments to the area. State investments into roadways in the Federal Road area has allowed commercial and industrial development, which will continue during the next couple of years with additions that include dense residential development and a new medical center. Other developments include the recent addition of Branson Ultrasonics' headquarters and an upcoming expansion by Iroquois Gas. These projects supported grand list growth of more than 21% during the past three years.

Consistent finances support reserve growth

For analytical consistency, we have adjusted operating performance for recurring transfers and one-time capital expenditures paid for with bond proceeds. Property taxes generate 86% of general fund revenue, followed by intergovernmental revenue at 11%, including on-behalf state pension contribution payments toward the teachers' pension plan.

Brookfield has continued to produce positive finances. The fiscal 2021 budget represented a conservative approach that included an additional contingency for unknown COVID-19 effects on the town. Ultimately, grants covered all COVID-19-related costs, revenue outperformed the budget by about \$1.4 million, and Brookfield recognized expenditure savings due to snow-and-ice removal and savings due to the hybrid school environment and less travel.

According to the town, fiscal 2022 results include a surplus of approximately \$577,000. Tax revenue and charges for services produced \$950,000 of revenue overbudget. The town had intended to use about \$1.2 million in bond premium to balance the budget, which it did not use due to other excess revenue. The total fund balance estimate is \$11.7 million, more than 14.4% of expenditures, continuing reserve growth going back to fiscal 2015. Brookfield does not currently have immediate plans to draw on these reserves. It plans to use available bond premium to help cover a debt-service bubble from fiscal years 2024-2026.

The American Rescue Plan Act of 2021 granted Brookfield \$5 million, and a committee has made allocation recommendations that include \$1.9 million to address debt service during the next three years; it also recommended \$1.7 million for public-safety capital needs and \$600,000 for improved school security.

The fiscal 2023 budget totals \$75.6 million, including no use of fund balance toward the budget. The school budget totals about \$48 million, an increase of 4% over the fiscal 2022 budget due primarily to increased salary costs. The town reports overall performance has been in-line with the budget to date, but there are some additional education costs due primarily to transportation costs; however, interest revenue more than offsets those additional costs, which, to this point, is more than \$1 million overbudget. The town will also continue to contribute to contingency and capital-reserve funds, and it has not allocated any budgeted contingency for fiscal 2023.

A continued adherence to adopted management policies, practices

Budgetary assumptions are generally conservative, including a zero-based budgeting approach for each department's budget and a minimum three-year historical trend analysis; however, officials can go back as far as 20 years, if necessary. Management makes monthly budget-to-actual reports the town board, as well as school-related budget-to-actual results. Brookfield maintains a formal 10-year capital-improvement plan that identifies funding and that it updates annually, along with a 10-year budget plan. An adopted formal investment-management policy mirrors state guidelines.

Brookfield's informal debt-management policy calls for maintaining debt service at no more than 10% of expenditures, which it plans to formalize during the next few years. The town adopted an updated reserve policy in fall 2021 that calls for maintaining reserves at 18% of revenue and contains steps for building reserves up to the target should they decrease below 18%. The town is taking steps to mitigate cyber risk.

The Institutional Framework score for Connecticut municipalities is strong.

Elevated debt with no plans for additional debt

Subsequent to this series 2022 issuance, Brookfield will have approximately \$113 million in direct debt outstanding. Debt outstanding has increased during the past three years due to debt issued to finance a school project, and Brookfield expects additional tax revenue from a series of developments and available bond premiums will help offset increased debt service related to future school-project-related debt. The town does not have any other large projects that require debt financing, and it will not issue additional debt other than for smaller capital projects. Brookfield's goal is to fund more capital needs with cash rather than debt.

Pension and OPEB liabilities

We do not view pension and OPEB liabilities as an immediate credit risk for Brookfield because pension costs are low as a percent of expenditures and plans maintain high funding. Although Brookfield primarily pays OPEB liabilities on a pay-as-you-go basis, the low cost and liability is unlikely to represent a credit risk during the next few years. The town has begun funding an OPEB trust.

As of June 30, 2022, Brookfield participates in:

- Brookfield Public Employee Retirement System, which is 98.5% funded, with a net pension liability of \$934,000.

Brookfield's combined required pension and actual OPEB contributions totaled 2% of total governmental fund expenditures in fiscal 2021: 1.6% represented required contributions to pension obligations and 0.4% represented OPEB payments. The town made its full required pension contribution in fiscal 2021.

Brookfield administers its own defined-benefit pension plan for town employees. The plan uses an assumed rate of return of 6.5%, which we consider a sustainable rate of return to limit the effect of market volatility on costs. The town has implemented a hybrid plan for all employees. New employees hired after July 1, 2017, would participate in the plan, which combines the town's current defined-benefit plan with a defined-contribution plan that will cover employees under the defined-benefit plan for the first 20 years of employment and switch to a defined-contribution plan to which they contribute a minimum 5% and the town contributes up to 11%. The plan is mandatory for new employees and optional for any employees hired before 2017. Although the town will not see reduced contributions, according to officials, the hybrid plan's goal is to reduce Brookfield's long-term liability and mitigate potential risk while providing the same benefits to employees and retirees.

Brookfield also provides OPEB to eligible retirees, but it eliminated these benefits for all future town and noncertified employees. As of fiscal 2021, the town had an unfunded liability of \$11.3 million. It maintains an OPEB trust fund with a current balance of \$1.5 million as of fiscal 2021. Overall, due to a fully funded pension plan and manageable OPEB liabilities, we expect costs will likely remain low.

Ratings above the sovereign

Brookfield's GO bonds are eligible for a rating above the sovereign because we think the town can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect, the town has a predominantly locally derived revenue source with 87% of general fund revenue from property taxes. It also has independent taxing authority and treasury management from the federal government.

Brookfield Town, Connecticut Select Key Credit Metrics				
	Most recent	--Historical information--		
		2021	2020	2019
Very strong economy				
Projected per capita effective buying income as a % of U.S.	149			
Market value per capita (\$)	188,901			
Population		17,604	17,589	17,683
County unemployment rate(%)		6.1		
Market value (\$000)	3,325,406	3,283,488		
10 leading taxpayers as a % of taxable value	6.9			
Strong budgetary performance				
Operating fund result as a % of expenditures		2.7	1.3	1.8
Total governmental fund result as a % of expenditures		2.9	(0.3)	2.1
Strong budgetary flexibility				
Available reserves as a % of operating expenditures		14.4	11.8	10.7
Total available reserves (\$000)		11,149	9,056	8,010

Brookfield Town, Connecticut Select Key Credit Metrics (cont.)

	<u>Most recent</u>	<u>--Historical information--</u>		
		2021	2020	2019
Very strong liquidity				
Total government cash as a % of governmental fund expenditures		26	19	19
Total government cash as a % of governmental fund debt service		392	266	289
Strong management				
Financial Management Assessment	Good			
Weak debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		6.7	7.1	6.6
Net direct debt as a % of governmental fund revenue	134			
Overall net debt as a % of market value	3.3			
Direct debt 10-year amortization (%)	52			
Required pension contribution as a % of governmental fund expenditures		1.7		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		0.5		

Strong Institutional Framework

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2022 Update Of Institutional Framework For U.S. Local Governments
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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