New Issue: **MOODY’S DOWNGRADES STAMFORD’S (CT) G.O. RATING TO Aa1 FROM Aaa; NEGATIVE OUTLOOK ASSIGNED**

Global Credit Research - 19 Mar 2010

**Aa1 AND NEGATIVE OUTLOOK ASSIGNED TO $365 MILLION IN OUTSTANDING G.O. DEBT, INCLUDING CURRENT ISSUE**

Municipality  
CT  

<table>
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<th>Issue</th>
<th>Sale Amount</th>
<th>Expected Sale Date</th>
<th>Rating Description</th>
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</table>

**Moody’s Outlook**  
Negative

**Opinion**

NEW YORK, Mar 19, 2010 -- Moody's Investors Service has assigned a Aa1 rating with a negative outlook to the City of Stamford's (CT) $35.7 million General Obligation Refunding Bonds, Issue of 2010, Series A & B. At this time, Moody's has downgraded the city's long term rating to Aa1 from Aaa and assigned a negative outlook, affecting $365 million in outstanding general obligation debt. The bonds are secured by the city's general obligation unlimited property tax pledge. The downgrade is based on the city's slim reserve levels, which remain inconsistent with the Aaa rating category and significantly below state and national local government medians. The negative outlook reflects Moody's expectation that the city's financial position, while relatively stable, will remain below average over the medium term given continued revenue weakness and ongoing expenditure demands. Assignment of the Aa1 rating is reflective of the city's affluent large equalized net grand list (ENGL) distinguished by a concentration of corporate headquarters and low debt position.

**RESERVE LEVELS PROVIDE SLIM FINANCIAL CUSHION; FINANCIAL POSITION EXPECTED TO REMAIN BELOW AVERAGE**

Moody's anticipates Stamford's financial position to remain slim over the medium term and at levels inconsistent with similarly rated municipalities. Further, given continued revenue weakness and ongoing expenditure demands we expect that the city will remain challenged to increase reserves to satisfactory levels. Due to charter provisions preventing the city from maintaining an unreserved undesignated General Fund balance financial resources have been accumulated outside of the General Fund, including in a Rainy Day Fund, a Debt Service Fund, and a Capital Non-Recurring Fund. At the end of fiscal 2009, the balance of these available reserves, including unreserved General Fund balance, was $14.1 million or a low 3.1% of revenues, down from 3.8% the prior year. At this level, the city trails the Aa1 state and national medians for undesignated General Fund balance of 11% of revenues and 16.5% of revenues, respectively. Also of note, the city's Rainy Day Fund, which was established in 2004, is allowed to maintain a balance of 5% of revenues. While the city has been making annual contributions to the fund, primarily from General Fund balance transfers, the fiscal
2009 balance of $4.8 million represented a minimal 1% of operations.

Fiscal 2009 ended with a General Fund balance reduction of $7.6 million following transfers out of $9 million. Prior to the transfers out, operations ended positively by $1.3 million. The city offset a $3.3 million revenue shortfall through lower than budgeted expenditures. Of the transfers out of the General Fund $8.6 million went to the city's Risk Management Fund to reserve against potential tax appeals. Currently, the city has approximately $7.3 million in tax appeal exposure and expects to appropriate $5.7 million in fiscal 2010 and $5.1 million in fiscal 2011 to reserve against the possibility of additional appeal activity.

The adopted fiscal 2010 budget decreased by $4 million or 1.1% from the prior year and is balanced primarily with increased property tax revenues. Given current projections the city is anticipating balanced operations and the year-end available reserve balance is expected to approximate prior year levels. The proposed fiscal 2011 budget, the first under a new mayoral administration, represents a 2.98% increase over the 2010 budget. The budget is balanced primarily with a 3.16% levy increase and incorporates a number of austerity measures in an effort to maintain structural balance including a hiring freeze, the elimination of approximately 70 vacant positions and approximately 50 layoffs.

Positively, despite a decline due to market conditions, the city's pension plans remain well funded at approximately 97% as of July 1, 2009. Further, the city's pension costs are projected to increase by $5.6 million (vs. a prior year increase of $1.9 million) in fiscal 2010 illustrating the city's commitment to funding its annually required contribution and maintaining a healthy pension system. The city's unfunded other post employment benefits liability (OPEB) is $215 million with a $18.2 million annual required contribution (ARC). Management has established an OPEB trust and has decided to fund the ARC over a five year period beginning in fiscal 2009.

GROWTH OF LARGE AND DIVERSE TAX BASE HAS SLOWED; STRONG SOCIOECONOMIC PROFILE

Moody's anticipates growth of Stamford's substantial $34.3 billion tax base to slow reflecting continued weakness in the regional real estate market and recessionary economic conditions. Located in lower Fairfield County, approximately one hour from New York City (G.O. rated Aa3/stable outlook) the city's equalized net grand list (ENGL) is diverse with residential properties comprising 59% of the equalized value, and commercial and industrial properties comprising 33%. The net grand list expanded at an average annual rate of 16.9%, inclusive of 2006 and 2007 revaluations, over the last five years capturing property value appreciation as well as some residential growth and commercial activity. However, more reflective of current market conditions grand list growth was below 1% for fiscal years 2010 and 2011.

Significant development is occurring in the downtown and south-end districts where previously low density areas are being converted into mixed use developments with new growth encouraging zoning regulations. A noteworthy project currently under construction is the Harbor Point Project, which is expected to contribute to growth over the next 10 years, albeit at a slower pace given current economic conditions. This development includes six million square feet of mixed-use development; 85% residential (4,000 residential units), 15% commercial including a waterfront hotel, retail and full-service marina and more than 10.5 acres of parks and public spaces. Other notable developments include, The Metro Center project, which is expected to include a 325,000 square foot office building and 220 residential units, and Trump Parc, a mixed use development with 170 residential units. The strong $287,914 equalized value per capita, is complemented by an affluent residential tax base, with wealth indices exceeding state medians. Per capita income of $34,987 is 122% of the state median and the $362,000 median home value is 217% of the state figure.

Stamford has a high concentration of corporate headquarters and is a leading retail center within the state. Among the headquarters located within the city are Pitney Bowes (senior unsecured A1/stable outlook), UBS (senior unsecured Aa3/negative outlook), and GE Capital (Aa2/stable outlook). Further, the Royal Bank of Scotland (senior unsecured A2/stable outlook) recently relocated its North American headquarters (2,400 employees) to the city. Perdue Pharma (700 employees) recently moved to a new facility downtown and GE Capital (1,000 employees) is the new tenant of the former Xerox site (currently under renovation). Although, Stamford continues to attract and retain businesses, in part due to cost advantages over New York City, the current office vacancy rate is relatively high at approximately 20%. Positively, the city's unemployment rate at 7.2%, as of November 2009, continues to maintain its historic trend of being below both the state and U.S. unemployment rates.

DEBT POSITION EXPECTED TO REMAIN MANAGEABLE

Moody's believes the city's debt burden will remain stable when considering its currently low debt level,
average principal amortization rate and manageable future borrowing plans. The city’s adjusted debt burden is a manageable 1% of ENGL. Principal amortization of 69% retired within 10 years is slightly below the 78% median for Connecticut municipalities. The city is expected to slow its rate of capital spending and anticipates issuing $40 million in bond anticipation notes and $29.2 million of new money in fiscal 2011 to support the city’s capital plan, which is primarily funded with bond proceeds. Previously, the city capital plan included annual bonding between $40 million and $55 million annually. Looking ahead, the city is expected to remain below the stated safe debt recommendation of 2% of ENGL and in line with the city’s stated debt service ceiling of 10% of expenditures.

Outlook

Assignment of the negative outlook reflects the city’s narrow reserve position and Moody’s expectation that the city will be challenged to maintain fiscal stability and improve reserve levels in an environment of ongoing expenditure demands and weakened revenue streams.

WHAT COULD MOVE THE RATING UP (REMOVE NEGATIVE OUTLOOK):

* Improvement of financial flexibility and available reserve levels
* Adoption of a formal reserve policy aimed at promoting long-term financial stability

WHAT COULD MOVE THE RATING DOWN:

* A reductions of financial flexibility and available reserve levels
* Inability to maintain structurally balanced operations

KEY STATISTICS:

2008 Population: 119,303
2009 Equalized Net Grand List (ENGL): $34.3 billion
2009 Equalized Value Per Capita: $287,914
2009 General Fund Balance: $8.3 million (1.8% of General Fund revenues)
2009 Available Reserve Balance (Unreserved General Fund Balance and Rainy Day Fund): $11.4 million (2.6% of General Fund revenues)
1999 Census Per Capita Income: $34,987 (122% of the state, 162.1% of the U.S.)
1999 Census Median Family Income: $69,337 (105.8% of the state, 105.8% of the U.S.)
Net Direct Debt Burden: 1%
Payout of Principal in 10 Years: 68%
Post-Sale Parity Debt Outstanding: $365 million

RECALIBRATION OF RATING TO THE GLOBAL RATING SCALE; PRINCIPAL METHODOLOGY

The rating assigned to this transaction was issued on Moody's municipal rating scale. Moody's has announced its plans to recalibrate all U.S. municipal ratings to its global scale and therefore, upon implementation of the methodology published in conjunction with this initiative, the rating will be recalibrated to a global scale rating comparable to other credits with a similar risk profile. Market participants should not view the recalibration of municipal ratings as rating upgrades, but rather as a recalibration of the ratings to a different rating scale. This recalibration does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers. For further details regarding the recalibration please visit www.moodys.com/gsr.

The principal methodology used in assigning the rating was "General Obligation Bonds Issued by U.S. Local Governments," published in October 2009, and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.
The last rating action with respect to the City of Stamford (CT) was on July 1, 2009 when its Aaa rating and stable outlook were affirmed.

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